FINANCIAL TIMES

Start the week with...

Russia
The reformers move in
Chrystia Freeland, Page 17

Management
Move me, move my spouse
Victoria Griffith, Page 10

Survey
Slovenia
Separate section

World Business Newspaper http://www.FT.com MONDAY APRIL 28 1997

Morocco may shut Mena office in snub to Israel

Morocco, in a diplomatic snub to Israel, is poised to close the secretariat that oversees the US-backed Middle East and North Africa (Mena) economic summits. The secretariat was launched in 1994 to underpin the regional peace process. Page 18

Fears for refugees block Zaire peace: Zaire's rebel leader Laurent Kabila was under western pressure to rein in his fighters as allegations of atrocities against Rwandan refugees threatened to block a negotiated end to the country's crisis. Page 18

Andersen demerger doubted: The 2,700 partners of the Andersen Worldwide accountancy and consultancy empire are expected to decide against a demerger of Arthur Andersen, the audit, tax and business consultancy, from Andersen Consulting, the management and IT consultancy, when they meet in Paris tomorrow, although their leadership believes a radical restructuring is needed. Page 19

Finmeccanica, the state-controlled Italian defence, transport and high-technology conglomerate, faced a power struggle with the surprise resignation of chairman Fabiano Fabiani. The move followed a call for a shake-up at the loss-making group from Iri, the state holding company. Page 19

Passing of a Chinese 'immortal': Peng Zhen, one of China's "immortals" – senior leaders of almost mythical status – died in Beijing. He was 94 and had been in poor health for years. Page 4

International Business Machines is offering to cut prices for customers in exchange for a percentage of their resulting profits as it tries to prove the value of its "data warehousing" marketing programs. Page 18

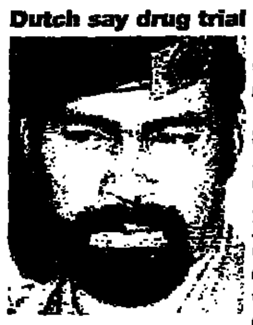
Internet enterprises struggle: Only four out of 25 recent Internet-related flotations in the US are trading today above their offer price, according to Broadview Associates, the specialist IT investment bank. Page 19

Jospin would ease hashish laws: France's opposition Socialist leader Lionel Jospin said on television that he had twice smoked hashish and would decriminalise its use if his party won the two-round snap general election on May 25 and June 1.

Warning shots off Kuril Islands: A Russian coast guard vessel fired warning shots to turn away a Japanese ship from disputed waters off the Kuril Islands, 10km from Japan's northern island of Hokkaido, authorities said. Russia seized the islands after the second world war, but Japan has demanded them back.

Brazil's iron sector sell-off blocked: Latin America's largest privatisation was in doubt after a judge blocked tomorrow's auction of shares in Companhia Vale do Rio Doce, the world's largest iron-ore producer. The Brazilian government said it would appeal and expressed confidence the auction would go ahead. Page 19

Dutch say drug trial near for Bouterse

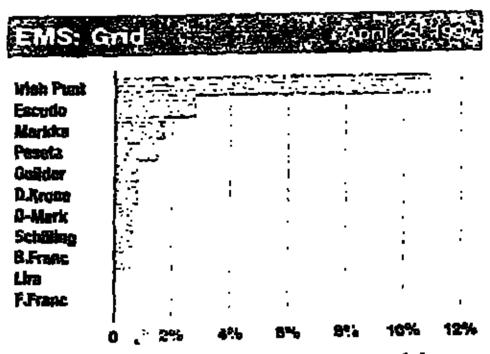


A senior Dutch official said prosecutors will soon have sufficient evidence to try former Surinamese dictator Desi Bouterse, left, for cocaine smuggling. Arthur Docters van Leeuwen, head of the Council of Procurators General, said Bouterse would probably be put on trial within a year, and tried in absentia if he refuses to come to the Netherlands. Bouterse ruled from 1980-1991.

Motor racing: Heinz-Harald Frentzen, in a Williams, won the San Marino grand prix at Imola. Fellow German Michael Schumacher was second in a Ferrari.

European monetary system: The Italian lira dropped five places in the EMS grid last week on growing market belief that Italy would be excluded from the first round of European monetary union. At the top of the grid the Irish punt firmed to 10.99 per cent above its ERM central rate against the weakest currency, the French franc. Currencies, Page 27

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

G7 steps up efforts to curb dollar

IMF warns that Emu delay could put project at risk

By Gerard Baker in Washington

The governments of the world's leading industrialised countries yesterday stepped up their verbal efforts to cap the sharp rise in the US dollar.

Mr Robert Rubin, the US treasury secretary, and Mr Hiroshi Mitsuzuka, his Japanese counterpart, expressed concern over the dollar's rise against the yen and said they were prepared to take action when it was appropriate.

Finance ministers from the group of seven richest states also discussed the prospects for a successful start to European monetary union in 1999, a target which Mr Helmut Kohl, the German chancellor, has said should not be relaxed.

Speaking in Germany last Friday Mr Kohl set his face against any move to delay the introduction of the single European currency.

This represents a significant toughening of his earlier position, in which he was prepared to consider a delay rather than dilute the convergence criteria for Emu.

On Saturday, the IMF said European countries were largely on course for Emu, but also warned against a delay.

Mr Massimo Russo – the special adviser to the IMF managing director who has led a Fund study of the single currency – said that any delay would lead to financial turbulence and could even "risk shelving the project".

Last week's IMF World Economic Outlook report said that Germany, France and Italy would probably all overshoot the main government deficit-to gross domestic product target ratio of 3 per cent.

But Mr Russo argued that the precise figures were immaterial.

"A deficit of 3.1 per cent won't make the euro weak and 2.9 per cent won't make it strong," he said.

What mattered was that the process of convergence was proceeding well.

Meanwhile senior US government officials said yesterday that, in talks before the meeting of finance ministers and central bank governors of the G7, Mr Rubin and Mr Mitsuzuka had "agreed to co-operate in the exchange market when appropriate."

But the US currency's rise by more than 50 per cent against the yen and more than 20 per cent against the D-mark in the last two years seems to have been firmly underpinned by economic fundamentals and likely movements in relative interest rates in the G7 countries.

Those conditions are unlikely to be conducive to effective exchange rate intervention by central banks.

That did not stop officials yesterday from attempting to sharpen the rhetoric aimed at the dollar.

Mr Hans Tietmeyer, the president of the German Bundesbank, pointed out that the dollar had continued to rise since the last G7 finance ministers' meeting in Berlin in February.

Since then the dollar has risen by a further 4 per cent against both the D-mark and the yen to DM 1.72 and Y126.

"Since Berlin the dollar has gone a little bit further. The question is whether it is an overshoot to the other side," Mr Tietmeyer said.

"The Bundesbank is not interested in currency market overshoots. We are interested in seeing the mark remain a strong international currency."

IMF and World Bank, Page 6
Lex, Page 18

Kvaerner and Boeing in deal for $5bn base

By Tim Burt

Kvaerner, the Anglo-Norwegian engineering and construction group, has joined forces with Boeing of the US to develop the world's first offshore air base for the US Navy, in a project that could be worth $5bn.

They have beaten rival bids from US industrial group Brown & Root and McDermott International, the Louisiana-based power and maritime equipment company, to draw up a feasibility study for a 1,600 metre floating runway and troop carrier on the world's largest mobile offshore platform.

Under the specifications drawn up by the US Office of Naval Research, industry analysts believe that the unique airbase would be capable of handling aircraft as large as the McDonnell Douglas C-17 military transport, and could house up to 10,000 troops.

Initial plans involve three semi-submersible platforms, connected together by two bridges.

The whole structure, including maintenance hangars and accommodation facilities, would be assembled at sea each time it was deployed.

The scale and estimated costs of the so-called Sea Base – the $5bn figure includes construction, avionics and weapons systems – have prompted splits in the US defence department over its feasibility.

Nevertheless, Kvaerner Maritime – the offshore construction subsidiary of the Anglo-Norwegian group – confirmed this weekend that it had been selected with Boeing to draw up a comprehensive feasibility study expected to

Continued on Page 18

An artist's impression of the unique offshore air base

Fireworks envelop Hong Kong's new $900m Tsing Ma bridge, at 1.36 miles the world's longest road and rail suspension structure, during its opening yesterday by former UK prime minister Baroness Thatcher. Report, Page 4
Picture: AP

Turkish PM bows to generals' demands

By John Barham in Ankara

Turkey's Islamist-led government has bowed to pressure from the country's secular military and adopted measures aimed at curbing the activities of Moslem groups.

Mr Necmettin Erbakan, the prime minister, agreed at the weekend to the generals' demands rather than resign and almost certainly force fresh elections.

After an eight-hour meeting of the military-dominated National Security Council, which includes senior ministers and military officers, Mr Erbakan reluctantly agreed to implement educational reforms including restricting access to Islamic schools.

However, Mr Salih Kapusuz, deputy parliamentary chairman of Mr Erbakan's Refah party, yesterday vowed to challenge the generals' demands in parliament. "If this [proposal] comes to parliament we will make every effort to oppose it."

He said pressure on the government to adopt the reforms or quit were undemocratic.

Before Saturday's meeting of the NSC, the Turkish media speculated that Mr Erbakan would resign rather than give ground to the demands of the council, which is worried by the increasingly assertive presence of Islamists in some aspects of public life.

In February, the NSC issued Mr Erbakan's government with a list of 18 reforms that

Continued on Page 18
Military whip, Page 3

Singapore agrees Y53bn syndicated Japanese loan

By Gwen Robinson in Tokyo

The Singaporean government is set to become the main beneficiary of the largest syndicated loan to be arranged for a foreign entity in Japan, as well as a low-interest, 25-year loan from the Japan Development Bank, which provides financing for inward investment.

The moves follow the February acquisition of prime land in central Tokyo by a consortium including Alderney Investments, a company 86.3 per cent owned by the Singapore government.

The consortium, which also includes Mitsui Fudosan, Japan's leading property company, and Matsushita Electric Works, intends to finance about 40 per cent of the project through the loan from the government-owned JDB at a fixed rate of 2.8 per cent.

A banker connected with the project acknowledged that Japanese public funding for a Singapore government overseas investment project presented "obvious sensibilities that need to be addressed".

The Alderney consortium successfully bid for land formerly belonging to the Japanese government's defunct JNR rail group near Tokyo's Ginza shopping district. It paid about Y138bn ($1.1bn) at auction for the 2-hectare plot and is planning to invest at least a further Y112bn to build three office and shopping complexes on the site.

The consortium will raise the remaining 60 per cent of the finance through the syndication of a Y53.3bn term loan.

HSBC Markets, the project finance arm of the Hongkong and Shanghai Banking group, said it was arranging the syndication with Citibank and had made the first presentation to potential participants last week.

The loan has been underwritten by Hongkong and Shanghai Banking Corporation, Citibank and Banque Nationale de Paris.

Terms and conditions have not been disclosed. However, HSBC Markets said the terms, including interest payments, were "extremely attractive".

"There is no precedent for this syndication, it is a groundbreaking transaction – the largest syndicated loan to be placed in the Japanese market where the borrower is a foreign entity," it said.

Most syndications involving foreign companies have been placed on a "club-basis", within a tight circle of three or four lenders, and for the most part have been between financial institutions.

This syndication can be seen as an important test case and comes when foreign investors have shown new interest in the Japanese property market. If successful, it may encourage others to undertake similar fundraising efforts.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Commissioners square up for regional aid fight

By Lionel Barber in Brussels

Mrs Monika Wulf-Mathies, EU commissioner for regional policy, will this week reject calls for a big increase in aid to rural areas aimed at cushioning farmers against the coming shake-up in the Common Agricultural Policy.

The proposals were the centrepiece of a plan put forward last year by Mr Franz Fischler, EU agricultural commissioner. He wanted to direct EU regional aid to help farming communities cope with reductions in subsidies from Brussels.

Mrs Wulf-Mathies, a former German trade union leader, says she is not opposed to helping the countryside; but regional aid – or "structural funds" – should be targeted toward poor areas with a view to strengthening economic and social cohesion in the EU.

"I don't want structural policies linked to the CAP," she says in an interview, adding pointedly: "Rich farmers get 80 per cent of the EU farm subsidies."

Mrs Wulf-Mathies will launch the debate over the future of EU regional aid today at a three-day conference – European Cohesion Forum – in Brussels. The main protagonists, including Mr Fischler, will be present.

In practice, a battle over the direction of policy has been going on for months inside the Commission. President Jacques Santer is preparing to unveil proposals this summer for the reform of the CAP, regional aid, and a new seven-year EU budget to prepare for the EU's planned enlargement around the turn of the century.

Late last year Mr Fischler tried to seize the initiative at a conference in Ireland. He pressed the idea of amalgamating the regional and CAP funds, which together comprise more than two-thirds of the total EU budget. His proposal reflected pressure on the CAP from the next round of world trade talks at the end of the century, which will force further cutbacks in subsidies to EU farmers.

Other factors include the entry into the EU of farm-intensive economies such as Poland and Hungary; and growing calls to lower the CAP's share of the overall EU budget which, many believe, will most likely remain at 1.27 per cent of EU gross domestic product between 2000 and 2006.

Mr Padraig Flynn, EU social affairs commissioner, added to the debate this year when he said that the Ecu38bn ($43.3bn) annual regional aid budget was over-complex, inefficient and spread over too many EU objectives and initiatives.

Mr Flynn's intervention was partly viewed as a defence of the European Social Fund, which supports worker training. But it also gave Mrs Wulf-Mathies a useful ally in her campaign to prevent regional aid being skewed toward rural development and the farmer.

In the interview, Mrs Wulf-Mathies sets out her priorities for reform.

First, it is vital to shrink the regional aid map. At present, just over half of the EU receives some form of hand-out from Brussels. "Aid is spread widely but thinly, which gives a kind of 'sprinkler effect'."

Monika Wulf-Mathies: 'aid is spread widely but thinly'

Second, the Commission should "define and apply" stricter criteria for poorer regions. The real need is to help industries restructure, to strengthen small businesses, and fight long-term unemployment.

Third, the Commission should simplify procedures for assessing projects eligible for aid and avoid duplication with DG4, the competition directorate. Brussels should deal with big projects such as dams and railways, but otherwise the regions should have more responsibility for management.

Finally, it is wrong to single out the countryside for special treatment at the expense of the cities. "Links between rural areas and the cities are being developed. You cannot have a development strategy which leaves out the cities."

Mrs Wulf-Mathies says the CAP has not helped economic and social cohesion in general in the EU: most of the aid went to farmers in rich countries such as Denmark and France, rather than poorer countries such as Portugal.

"The CAP has created the development of industrialised farming which depends less on natural resources and people," she says, echoing concern about innovations such as genetically engineered soyabeans. "I want the broadest possible partnership."

She also argues it is time to clamp down on sharp practices by private companies exploiting the regional aid market.

She cites the case of Renault, the French carmaker, which this year shut down its plant in Vilvoorde, near Brussels, while standing to gain from EU aid for opening a factory in Spain.

"There should be spin-offs from regional investment, like organising a chain of suppliers in the region – not just the big shot bringing over his own supply chain. We need companies rooted in the area."

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address

GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

Mixed reception on mergers

Robert Rice and George Graham assess Brussels' wider powers

At first glance the decision by European Union industry ministers at the end of last week to give Brussels wider powers to vet cross-border mergers is welcome news for European business.

Since 1990, when Brussels first took powers to vet mergers and offered a fast-track, one-stop clearance procedure for Europe's largest deals, the burdens of obtaining regulatory clearance for deals too small to qualify for such preferential treatment have increased substantially.

The growth in national merger control regimes has meant that companies planning cross-border ties have frequently to seek clearance in several member states at once. "Multiple national filings" have dramatically increased the costs of doing a deal. The rules agreed last week are designed to tackle this problem.

Under the present rules the Commission automatically vets mergers if the combined global turnover of the companies involved is at least Ecu5bn ($5.7bn) and the EU turnover of each company is at least Ecu250m.

The new proposal means that Brussels will vet a deal when it requires three or more national filings and when the companies involved have a combined global turnover of Ecu2.5bn and an EU turnover of Ecu100m each and when in each member state involved at least two of the merging companies have a turnover of Ecu25m or more.

Mr Karel Van Miert, EU competition commissioner, estimates this will increase the number of deals handled by Brussels each year by about 10. Last year the Commission vetted 125 deals. However, as the level of merger activity in Europe continues to climb – there were about 1,000 cross-border deals in 1996 – he expects the number of cases dealt with to rise.

'How much better to have simply grasped the nettle'

Investment bankers have welcomed the move. Mr Paul Baines, managing director of corporate finance at Charterhouse, said the rules would apply to an increasing number of deals as more industries started to consolidate in continental Europe.

"I would imagine we are going to see more and more acquisitions falling under this heading," he said. The Commission's estimate of the number of deals affected was "very conservative".

The rules could be particularly helpful for mergers involving Germany, whose competition office, like the UK's, has less legal latitude than Brussels for negotiating a settlement to a competition issue.

Mr Simon Mckenzie-Smith, a managing director in the mergers and acquisitions department of Merrill Lynch, the US-based investment bank, said that under current rules companies often had to file in several countries even when a deal raised no competition issue.

"Different jurisdictions tend to have different filing requirements and different timetables. This should be easier than three or four separate filings," he said.

However, competition lawyers fear the proposal's complexities could mean there will be little real benefit for businesses from the change.

Mr Andrew Renshaw, a partner in the Brussels office of Freshfields, the UK international law firm, said that identifying which deals were caught by the new regime would still involve much legal work. "For companies to establish their sales on an individual member state basis will be very difficult. Most companies don't account in that way."

Mr Alec Burnside, a partner in the Brussels office of Linklaters & Paines, the UK international law firm, said it was encouraging that member states had recognised the realities of the problem caused by multiple filings, but disappointing that the change agreed by the EU industry ministers would benefit so few deals.

He questioned whether the effort involved in defining the new thresholds and applying them to a proposed deal was worth it. "How much better to have simply grasped the nettle and lowered the existing thresholds."

Editorial Comment, Page 17

Bonn plans cartel law change

By Peter Norman in Bonn

German competition authorities will be able to move faster against suspected cartels if draft legislation becomes law.

Unveiling revised proposals to update Germany's cartel law, Mr Günter Rexrodt, economics minister, said mergers in future would have to be reported to the cartel office before completion, rather than afterwards.

But, in return, the threshold for referring takeovers to the office would be doubled to DM1bn ($588m) of total turnover of companies involved, while companies with less than DM10m in sales would be completely excluded from merger control.

Making cartel agreements would be explicitly forbidden, in contrast to existing rules which merely forbid their implementation. Similarly, the abuse of a dominant market position would be subject to fines: penalties are now imposed only after infringements of official rulings.

"The goal of the draft cartel law is to secure and strengthen competition," Mr Rexrodt said. An important aim was to bring German cartel law into line with European Union rules, which were revised last week to give the Commission greater powers.

The minister said that, in line with European rules, co-operation agreements between companies would be allowed when they were economically beneficial. When the cartel office allowed a merger, it would publish an explanation of its decision.

Mr Rexrodt said Bonn would maintain Germany's cartel law where it was more specific and rigorous than EU law.

However, the draft legislation, which is scheduled for cabinet approval in September and implementation at the start of 1999, would retain the economic minister's controversial powers to overturn German cartel office rulings.

It would also retain retail price maintenance for books and other published materials following a unanimous decision in the Bundestag, the lower house of parliament, that such rules safeguarded German culture.

A new element in the draft law would establish the principle that significant infrastructures – such as airports or harbours – should in general be open to competitors. However, key sectors such as telecommunications networks and postal services are covered by special laws, while the ministry is preparing legislation to cover the electricity and gas industries.

Mr Rexrodt said the cartel bill proposals were "broadly supported" by a committee of experts. It is understood, however, that representatives of German industry suggested the draft be weakened to reflect more closely EU rules on mergers and monopolies.

Security chief rules out attempt to smear opposition politicians

Seoul pledge not to exploit top defection

By John Burton in Seoul

The head of South Korea's espionage agency has promised that the government will not exploit the defection of a top North Korean defector for domestic political purposes, such as conducting a "Red witch-hunt".

Mr Hwang Jang-yop, the most senior North Korean official ever to defect, reportedly carried a list of North Korean sympathisers in South Korea when he arrived in Seoul a week ago.

This has provoked speculation that the government might try to use information provided by Mr Hwang to smear the opposition with charges that they include North Korean sympathisers.

This is a particularly sensitive issue as South Korea prepares to vote for a new president in December, with the governing party having been severely damaged by the bribes-for-loans scandal involving the collapsed Hanbo steel group.

However, Mr Kwon Young-hae, director of the Agency for National Security Planning (NSP), denied the existence of the so-called "Hwang Jang-yop list", although the intelligence service will question Mr Hwang about possible "moles" in the South Korean government and political establishment.

"Suspicion about (Mr Hwang's) possible political use has been raised in public because the intelligence services used cases of North Korean defectors for political purposes in the past. But the current NSP is different," Mr Kwon told a parliamentary committee at the weekend.

"Washington has privately warned Seoul not to use Hwang for domestic purposes because it could further destabilise an already chaotic political situation" after the Hanbo scandal, said an opposition MP who recently met US officials.

Questions have recently been raised about the reliability of Mr Hwang's information, with some suggesting that his statements about North Korea's hostile intentions might have been coached by South Korean intelligence. Many of his views appear almost identical to those of hardliners in the Seoul government, while Mr Hwang has readily performed such propaganda duties as paying tribute to South Korea's fallen soldiers at the national cemetery.

Some suggest Mr Hwang allowed himself to be manipulated in an effort to find a safe haven in South Korea after he lost political influence under North Korea's new ruler, Mr Kim Jong-il.

What is puzzling is that South Korea has so far blocked US intelligence from access to Mr Hwang in spite of his alarming predictions, although it has promised to share information provided by him to its allies in Washington and Tokyo.

Attention has focused on a document allegedly written by Mr Hwang published last week in the Chosun Ilbo, a leading South Korean conservative newspaper with close contacts to the NSP. In it, Mr Hwang warned that North Korea was preparing to attack South Korea and Japan with missiles armed with nuclear warheads and chemical weapons. He dismissed any hope of negotiating peace with Pyongyang, saying the North "acknowledges dialogue only as a trick to isolate the South and disguise its preparations for the invasion of the South through armed forces".

Peng: close ally of Deng in opening China to the outside

China loses one of its 'immortals'

By Tony Walker in Beijing

Peng Zhen, one of China's "immortals" – senior leaders of mythical status – died in Beijing on Saturday. He was 94 and had been in poor health for many years.

His death had long been expected and he had not held formal office for almost a decade. But his passing robs China of an important link with its revolutionary past and further shrinks a small coterie of veterans capable of exerting pressure on the current leadership.

He leaves three survivors among the eight "immortals", a description coined in the 1980s of Communist party elders who had distinguished themselves on the Long March and held senior office subsequently, including Deng Xiaoping.

Survivors include Mr Yang Shangkun, 89, a former president; Mr Song Renqiong, 87, an army general; and Mr Bo Yibo, 88, a former finance minister. But only Mr Yang, who enjoys strong army connections and is relatively robust, appears capable of wielding significant political influence.

As mayor and party secretary of Beijing in the 1950s and 1960s, Peng was one of the first leaders toppled in the Cultural Revolution prompted by late chairman Mao Zedong's decision to launch a campaign against his perceived party opponents.

Peng's death comes just two months after that of Deng, who was also purged at the beginning of the Cultural Revolution. Peng was a close ally of Deng and two co-operated in the late 1970s to open China to the outside world and launch economic reforms aimed at bringing prosperity to the country. He was also instrumental in seeking to rebuild the rule of the law in China, undermined by long years of idiosyncratic communist rule.

He supported Deng in his decision to impose martial law to curb student protests in 1989, but he also defended the students, describing their motives as "pure and patriotic".

Peng, was born in 1902 of a poor peasant family in northern Shanxi province, west of Beijing.

Indonesia gets ready for an arranged vote

The Indonesia government calls it *pesta demokrasi* – a celebration of democracy. But as the general election campaign officially kicked off yesterday, the atmosphere was more that of a country preparing for civil war than for polling day.

In Jakarta, the scene last summer of the worst riots in more than two decades, police roam the capital in Russian-made armoured vehicles. Police have also taken part in simulated demonstrations.

The mock battles are carefully choreographed. So too are the elections.

Golkar, President Suharto's ruling party, is set to win a sixth five-year term on polling day on May 29. Party officials hope to increase their share of the vote from 68 per cent in 1992 to 70 per cent. It is a modest aim which should be achieved.

"Suharto places a strong emphasis on having a clear mandate," says Mr Juwono Sudarsono, of the ministry of defence's think-tank.

The election will lay the groundwork for the more significant presidential elections early next year, when Mr Suharto is widely expected to stand for another term, in spite of recent concerns over his failing health.

Golkar is not leaving anything to chance. After last summer's riots in support of the popular ousted leader of the Indonesian Democratic Party (PDI), Ms Megawati Sukarnoputri, there are new uncertainties. Her removal was followed by a wave of ethnic and religious-based rioting across the archipelago in the past year.

The government response is to ban street marches and outdoor rallies. Vehicles ferrying supporters to the venue of a political party must register with police. A system of campaign zones has been put in place to prevent violent political clashes.

In any case, Ms Megawati's forced exclusion from the political scene – she has not been permitted to contest a seat – has prompted many to question the validity of the elections. Ms Megawati has urged a boycott of campaigning though not of voting itself. *Golput*, or filing blank voter forms as part of a broader boycott of the event, is causing the government concern.

Voting is not compulsory but previous elections have attracted high turnouts and recently Mr Suharto has cracked down on those encouraging the 125m registered voters to stage a boycott.

Retired General Rudini, who presided over the 1992 elections, believes the polls will provoke a large turnout despite the unprecedented *golput* campaign

"I thought that at most only about 70 per cent of the electorate would vote [in 1992]," he recalls, pointing out that there was talk of a boycott then too. "But guess what? 92 per cent [of registered voters] took part."

Apart from Golkar, the only other permitted parties are the politically neutered PDI, whose new leadership is close to the government, and the faction-riddled Islamist United Development party.

Golkar, conscious of the popular perception of its proximity to government after last summer's riots in which its current leadership was installed, is brushing up its image.

Golkar's biggest coup has been its reconciliation with Mr Abdurrahman Wahid, popular leader of the 30m-strong Nahdlatul Ulama Moslem grouping.

Mr Wahid sided with Ms Megawati during the PDI leadership crisis but has since mended the bridges with the government. He recently toured east and central Java with Ms Siti Hardiyanti Rukmana, Mr Suharto's eldest daughter, who is on Golkar's board.

The ruling party has worked the system in its favour and when votes are counted, supervision will be strict.

Yet vote-rigging at polling booths has never been a serious problem. That is because, as one analyst says, the vote-rigging has already occurred: in the careful selection of candidates; the heavily guarded campaigning; the system of preferment.

Manuela Saragosa

Supporters of the ruling Golkar party and their children make the party's V-for-victory sign at an election rally in Jakarta yesterday *Picture by Reuter*

INTERNATIONAL NEWS DIGEST

HK's airport bridge opened

Baroness Thatcher yesterday opened Hong Kong's new Tsing Ma bridge, the world's longest road and rail suspension structure and the final part of the transport link to the territory's new airport. The US$900m bridge marks a significant step towards completion of the US$20bn airport programme, which long stood as a symbol of Sino-British disputes over Hong Kong's return to Chinese sovereignty – set for July 1.

Announced as a confidence-booster for Hong Kong following the suppression of pro-democracy protests in Beijing in 1989, but dogged for years by China's complaints over funding, agreement on financing for the airport project was finally reached in mid-1995.

The bridge's opening had military bands, fireworks and Baroness Thatcher driving through a ribbon in a Rolls Royce. What it lacked was Mr Tung Chee-hwa, the territory's future leader, and senior Chinese officials. Mr Tung said he had been invited to the opening ceremony but that his time was better spent travelling to China to discuss transition issues in neighbouring Guangdong province.

Built by a consortium headed by Kvaerner of Norway, and including Mitsui of Japan and Costain of the UK, the bridge was finished in less than four and a half years. Its central span is 1,377m, second only to the Humber Bridge in Britain. *John Ridding, Hong Kong*

Mrs Mandela keeps party job

Mrs Winnie Madikizela-Mandela, former wife of President Nelson Mandela, won overwhelming re-election as president of the women's league of the ruling African National Congress over the weekend. In spite of attempts by the ANC leadership to rally support behind rival candidates, Mrs Madikizela-Mandela secured 656 votes, against 114 for Mrs Thandi Modise, her deputy. ANC leaders had pushed for the election of Mrs Nkosazana Dlamini Zuma, minister of health, but she failed even to be nominated. The election underlined the loyalty of ANC members to those who figured most prominently in the struggle against apartheid.

Since the 1994 general election Mrs Madikizela-Mandela has been steeped in controversy. She was sacked as a deputy minister for ignoring instructions from cabinet, divorced from President Mandela and accused of financial irregularities. *Roger Matthews, Johannesburg*

Egyptian deficit to increase

Egypt's budget deficit will rise to E£6.9bn ($2.03bn) in the coming year, the government announced yesterday after the cabinet approved the 1997-98 budget. The rise comes in spite of expectations that the deficit would fall to 0.8 per cent of GDP as part of a programme agreed with the International Monetary Fund. It is thought unlikely it will add to inflationary pressure.

The budget, which has to be approved by parliament, predicts a 4.4 per cent rise in expenditure on last year to E£83bn. *Mark Huband, Cairo*

Soldier kills 8 in Yemen poll

Five soldiers and three civilians were killed when a soldier opened fire at a polling station before voting started yesterday in the country's general elections. Yemeni Interior Minister Hussein Mohammad Arab said a soldier "suddenly opened fire indiscriminately".

The elections are the first since a civil war between northern and southern parts of Yemen in 1994. The killings, the third fatal attack in run-up to polling, took place in the town of Mukayras in the governorate of Abyan.

The electorate of about 4.6m are choosing from among 2,306 candidates, including 17 women, who are standing for 301 seats under the banner of 12 parties or as independents. Diplomats expect President Ali Abdullah Saleh's ruling General Peoples Congress and Islah to win a majority.

The main opposition Yemen Socialist party and three others are boycotting the polls because of alleged irregularities. *Reuter, Sanaa*

State airline clouds Egypt's tourism hopes

EgyptAir's resistance to an "open skies" policy is worrying private investors in big Egyptian tourist projects. They fear its tough line towards possible competitors may hamper efforts to bring tourists to new holiday resorts.

The state airline's stand is in marked contrast with Egyptian government efforts to encourage private investment in tourism. Officials are keen to see diversification of an industry that earned as much as $3.09bn in 1995-96.

Last week Mr Mohammed Fahim Rayyan, chairman of the profit-making national airline, declared his open opposition to any relaxation of its control over the most popular routes linking Egypt's tourism and business centres to foreign destinations. He insisted that private airlines wanting to ply international routes to Egypt should get access only to routes that EgyptAir does not service.

Mr Rayyan revealed the extent of the protectionism that remains within some government circles when he told the government-owned daily newspaper Al Ahram: "Private airlines must add something, in other words they should open new markets and keep away from areas where EgyptAir is operating. They can't suddenly come and plant on land which I have reclaimed, and on which I have spent lots of money."

EgyptAir's monopoly control over the most popular and profitable routes has not yet become the subject of public debate with international airlines. But domestic investors are concerned it may prove too inflexible to cater for the growing demands of travellers, as well as the changing needs of Egypt's increasingly diversified tourist industry.

At the $150m first phase of the Soma Bay *de luxe* tourist destination, an hour's drive south of the Red Sea tourist town of Hurghada, an entire community is springing up on a desolate spit of coral and limestone surrounded by turquoise sea. Flights to Hurghada will serve the golfers, divers and residents of luxury villas who will, by next year, be arriving there. "Our aim will be to attract tourists from the Middle East, Europe, America and the Far East, as well as from Egypt," said Mr Reda Gargour of the Egyptian Finance Company, leading force behind the project.

For those behind projects such as Soma Bay, there is a strong wish to dissociate the development from the less affluent, haphazard and ill-planned tourism of Hurghada. "Part of the concern for investors in the tourism sector is the monopoly of EgyptAir," said Mr Khaled Sheta, vice chairman of IGI, an investor in an E£1bn hotel complex at Taba Heights in the Sinai desert. "Now there's a trend towards opening up that area. Nobody is intending to harm EgyptAir, but international airlines must be able to fly direct scheduled flights to these destinations. The charter flights only bring in lower-spending tourists, and the Taba Heights hotels are five-star."

While the national airline is viewed favourably, pressure is likely to mount for other airlines to begin serving the new resorts not with charter flights but with regular scheduled flights.

"Egypt has 105 aviation agreements, but EgyptAir only uses 55 slots," said Mr Mamdouh El-Beltagui, Egypt's minister of tourism. "Charters can fly from all airports abroad to all airports in Egypt, if the originating airport isn't served by EgyptAir." New rules giving more scope to charter airlines were introduced a year ago.

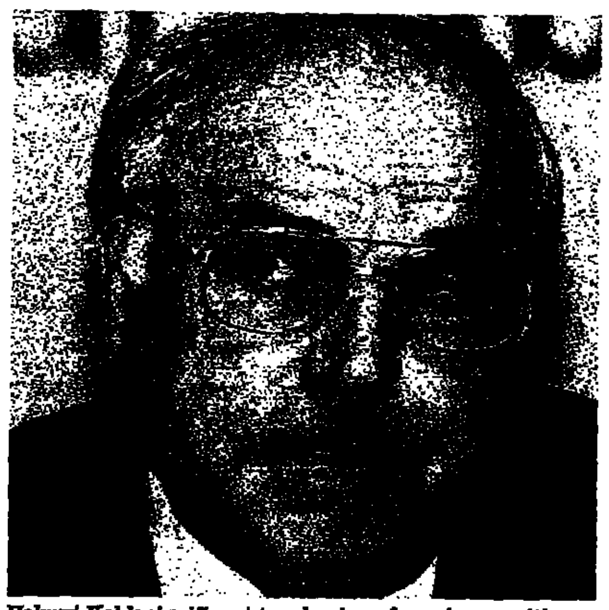
But the new challenge for EgyptAir will be when private Egypt-based airlines lobby to be able to operate regular scheduled flights to and from foreign airports served by EgyptAir – and also to destinations in Egypt which the state airline does not service.

Recognition of the need for new infrastructure to promote Egypt's tourism – which saw a 24 per cent increase in the number of visitors to 3.8m in 1996 – has brought government approval for two new build-operate-transfer (BOT) airport projects, one at Alamein on the Mediterranean coast, the other at Marsa Alam on the Red Sea, 280 miles south of Hurghada.

"We will be making an E£80m investment and expect to be making a profit after 14 years," said Mr Fikri Abdelwahab, the representative in Cairo of the Kuwaiti-owned Kharafi group's EMAK subsidiary, which has the contract for the Marsa Alam airport BOT project. "We need three aircraft to arrive each week to bring in sufficient income from landing fees to achieve this profit. And we are crossing our fingers that the tourists will come."

Mark Huband

Kohl stands firm on Emu timetable



Helmut Kohl: significant toughening of previous position

By Quentin Peel in Bad Homburg and Peter Norman in Bonn

Mr Helmut Kohl, the German chancellor, is determined to resist any move to delay the introduction of a single European currency beyond the deadline of January 1 1999.

In spite of growing doubts about Germany's ability to fulfil the precise criteria laid down in the Maastricht treaty for joining economic and monetary union, Mr Kohl has made it clear he is determined to meet the timetable.

His stance, set out in speeches to German and international audiences, represents a significant toughening of his previous position, according to which he was prepared to countenance a delay rather than water down the convergence criteria.

It also threatens to open up a gap with Mr Theo Waigel, his finance minister, who repeated his insistence in a weekend interview that "convergence dictates the timetable".

That has also been the attitude of Mr Kohl's most senior advisers, both in his own office and in the German finance ministry. They have argued in the past – privately – that a delay of up to two years would be preferable to a single currency based on anything less than the strictest possible criteria for government debt and budget deficits.

Mr Kohl still maintains that Germany can meet both timetable and criteria for Emu, but he now lays the greatest stress on the deadline. Speaking to the American Chamber of Commerce in Düsseldorf on Friday, he insisted that both were achievable, although the latest independent estimate – by Germany's six leading economic institutes – forecasts this year's budget deficit at 3.2 per cent, compared with the Maastricht criterion of 3 per cent.

Mr Waigel, who is under pressure in his home state of Bavaria to maintain a strict position on the single currency, said in an interview with Bild am Sonntag newspaper: "We must achieve the 3 per cent. 3.0 remains 3.0! Anything else would damage the credibility and acceptability of the euro."

Controversy over the euro has been mounting in Germany in recent months, with doubts among the opposition Social Democrats adding to long-standing reservations expressed by senior economists and some regional members of the Bundesbank council.

The public sector deficit last year was 3.8 per cent, and the current government forecast for 1997 is 2.9 per cent. Overall government debt stands slightly above the Maastricht limit of 60 per cent of gross domestic product, and is rising. The government has argued that an exception can and should be made for excessive debt because of the heavy burden after German unification.

German workers compensated for fall in take-home pay

Ford models a tangled deal

Henry Ford, who laid the foundation stone in 1930 for a Cologne car plant, would doubtless be impressed at the speed with which shiny Fiestas roll off today's production line.

Quite another matter is what the inventor of the modern production line would have made of the tangled deal negotiated last week with Ford's German workers' council to save $120m a year in costs. In a typically German response to late 1990s international competitive pressures, convoluted working arrangements have been added to existing contracts like a hose bound with a pair of tights to a leaking radiator.

At its simplest, the 34,000 Ford employees in Cologne, Berlin, Saarlouis, Düren and Wülfrath have been compensated for a drop in their overall take-home pay with more time off. They can now have up to an extra 10 free shifts a year – time when they can stay away – on top of 15 already agreed and 30 days' holiday.

In addition, the workforce has won investment guarantees lasting to 2010, which should help protect their jobs. The guarantees include Fiesta production.

"The nervousness and fear about the future is ended. We have achieved job security that is not given elsewhere in western European industry," says Mr Wilfried Kuckelkorn, chairman of the workers' council.

How does it add up? "It is always supply and demand," says Ms Dagmar Maron, a systems analyst. "Ford must always pay so much for employees, to get skilled workers. And now labour is cheaper in Poland, in Turkey, they obviously have the possibility to pay less money." Overtime and Christmas payments for the German workers have been cut and, for those retiring, Ford has said it will not make good expected reductions in state pensions.

But the handback in terms of time off is valuable compensation. The workers from the early shift streaming out of Gate 3 at 3pm, swinging car keys in the spring sunshine, could now theoretically enjoy 55 days' leave a year – enough time for the Cologne plant to build almost 60,000 cars.

It is not the sort of comment which goes down well with the workers' council. In the council's offices, Mr Dieter Hinkelman, managing director, gets out his pen and paper for the umpteenth time to explain why free shifts are not some kind of "gardening leave" or a motor industry equivalent of agricultural set-aside.

"Free shifts are no holiday. People have worked and not been paid for it," says Mr Hinkelman. "If you write that the Germans have 10 days more holiday, I won't buy the FT."

Ford takes as a base for setting wages an industry-wide deal reached in North Rhine-Westphalia on a 35-hour week. But to fit with the group's shift patterns, its employees work a basic 37.5 hour week and the extra 2.5 hours is compensated for with 15 free shifts a year.

The change this week is that an additional 70 hours a year have to be worked before overtime is paid. To compensate for this additional "working corridor", which gives Ford more flexibility in arranging work levels, employees get the extra 10 free shifts. Ford pays less in overtime and adjusts production to fit seasonal demand.

If it sounds complicated – and not all the intricacies have been fully explored – Mr Hinkelman is sympathetic. "Everyone understands the 15 free shifts, they have learnt how it goes. But the 70 hours is hard to comprehend. We have some informing to do," he says.

For much of the workforce, there is little need of persuasion.

Mr Mark Proch, a mechanic who hopes his son might one day work at Ford, says that without the deal the risk was of US-style job insecurity and low basic wages.

"The loss of money is not so dramatic. I can live with it and look after my children. I don't need to go out and work as a taxi driver."

But suggestions of an easy life are not welcome. Mr Mustafa Cözmez says pressure at peak times can be acute. "Saturday, Sunday and in the week, around-the-clock working. I have no time to rest, to make myself fit for work. Do I have to end up going to the doctor and saying I'm ill, I'm *kaput*?"

Ralph Atkins

Turkish PM feels sting of military whip

Erbakan offered little resistance to calls for reform, writes **John Barham**

Turkey's Islamist-led government may have survived Saturday's showdown with the secularist military, but few analysts expect Mr Necmettin Erbakan, prime minister, to remain in office long enough to celebrate his first year in power.

However, the prime minister, who took office in June last year promising the government would be in charge "until the year 2000", seems determined to hold on to power.

Far from challenging the generals at Saturday's eight-hour meeting of the military-dominated National Security Council (NSC), Mr Erbakan meekly bowed to their demands that he crack down on Islamist organisations and impose long-delayed secularist education reforms.

He is reported to have told the council – which includes the president, senior ministers, military commanders and intelligence officers – that his government was not against education reforms. "No one should take seriously people who are trying to make this issue into a problem. We, together with all the institutions, are doing what is necessary for Turkey."

This is probably the last thing the generals wanted to hear. They have been piling pressure on Mr Erbakan's coalition to quit since the start of the year.

Last year they forced him to ratify a defence and intelligence agreement with Israel, which Mr Erbakan had once vowed to scrap. In February they sent a column of tanks though an Ankara suburb after its mayor, a member of Mr Erbakan's Refah party, invited the Iranian ambassador to make a speech in favour of an Islamic state.

Later that month the NSC issued a list of 18 "recommendations" to the government that included a purge of Islamists from the bureaucracy, a crackdown on illegal Islamist organisations, and education reforms.

The council threatened unspecified "sanctions" if the government failed to carry out the recommendations. There seemed little doubt what it meant: the army has toppled three governments since 1960. The media called the ultimatum a "soft coup".

Education reform was a key issue. Secularists are concerned at the growth in religious Imam Hatip schools, which teach about 5 per cent of Turkey's 11m schoolchildren. They are believed to spread anti-secularist values and thus help create the foundations of a future Islamic state.

Attempts by previous governments to impose restrictions on these schools failed in the face of determined Islamist opposition. The generals seem to have hoped that Mr Erbakan would resign rather than restrict the schools' activities.

Few commentators in Turkey's predominantly secularist media are troubled by the growth in the military's overt involvement in civilian politics. Although Mr Erbakan has not attempted to carry out his party's aim to transform secularist Turkey into an Islamic state, most opposition politicians are jubilant over his difficulties.

While lamenting that generals should be involved in politics, Mr Bülent Ecevit, a veteran leftwing leader and former coalition partner of Mr Erbakan, said: "For the sake of Turkey it is my hope that [Mr Erbakan] will step down as soon as possible."

Neither are many Turks concerned that the evident political power of the armed forces could distance Turkey from the secularists' aim of EU membership.

On the contrary, most Turks see the armed forces as the ultimate guarantors of secularism and democracy. In March Admiral Güven Erkaya, navy commander, said "democracy, secularism and the rule of law are our framework. We should not be asked to make any [concessions to Islamists] over this. We shall not do so."

In February the NSC said: "At a time when the priority for Turkey is EU [membership], it is necessary that all official and civil institutions support this process. Therefore, it is necessary to end all kinds of speculation which create doubts about our democracy and harm Turkey's image and honour abroad."

Pressure is growing on Mrs Tansu Çiller, deputy prime minister and True Path leader, to pull out of the coalition. Two True Path ministers resigned over the weekend. Mr Yildirim Aktuna, who quit as health minister, said "the government is damaging Turkey and destroying the republic's basic principles".

Mr Hasan Cemal, columnist in the secularist Sabah newspaper, commented: "Everyone knows, Çiller knows, [Erbakan] knows that the government is over now."

However, both the prime minister and his deputy seem intent on remaining in power as long as possible.

Commentators say Mrs Çiller hopes to negotiate a central role for her party in the next government from a position of strength. The ageing Mr Erbakan, who won only 21 per cent of the vote in the last elections, may not have another chance of becoming prime minister.

As authority seeps away from the government, the military is becoming more involved in day-to-day politics. The "soft coup" could harden as Turkey's political malaise deepens.

Wolfensohn to warn on income

By Robert Chote, Economics Editor, in London

Mr James Wolfensohn, the president of the World Bank, will warn finance and development ministers tomorrow that the organisation's income is set to halve over the next 10 years, limiting its ability to help poor countries and deal with emergencies.

He will give his warning at a restricted lunchtime session of the so-called development committee, which gives ministerial guidance to the boards of the Bank and the International Monetary Fund. This forms part of the institutions' annual spring meetings in Washington.

He will tell the ministers that the Bank's income is on course to drop by 50 per cent between fiscal year 1996 and fiscal year 2005. In fiscal year 1996 the Bank earned income of around \$7.9bn in interest on its loan portfolio and \$700m from investments. After deducting interest payments on borrowing, administrative expenses and contributions to special programmes, this left net income of about \$1.2bn.

When Mr Wolfensohn launched his "strategic compact" restructuring proposals earlier this year, he warned that it would also be necessary to address the Bank's weakening income position.

Income is falling in part because relatively lucrative fixed rate loans are expiring and because lending on the Bank's present standard terms is no longer profitable at the margin.

He argues that the Bank is more like a foundation than a commercial enterprise, so it is more important to inflation-proof its \$25bn capital base than to make money on its day-to-day business. But he estimates that the Bank's income will be too low to do this by fiscal year 1999.

He is not expected to make firm proposals to boost the income stream at tomorrow's meeting. But the leading suggestion is to remove the 25 basis point waiver which the Bank offers on its interest charges to borrowers that service their debts within 30 days of their due dates.

The waiver has been very successful, reducing arrears over 30 days from around \$188m at the end of fiscal year 1991 to virtually zero by fiscal year 1996. But the annual cost of the interest waiver (plus a similar waiver on loan commitment fees) has climbed from \$463m to \$521m over the last three fiscal years.

One possibility would be to impose a penalty on late payers rather than rewarding those who pay on time. "We may need to move from the carrot more to the stick", said one official.

But any suggestion that the waiver might be removed would be strongly resisted by the Bank's middle-income borrowers. The Dutch and Swiss directors – both of whom head constituencies on the Bank board that include middle-income borrowers – have already spoken out against it.

Mr Wolfensohn argues that the Bank's loans are 300 basis points cheaper than middle-income borrowers could expect from private sector capital markets. So raising the cost of loans by 25 basis points will make only a small dent in their relative price advantage.

Wolfensohn: net income in fiscal 1996 was \$1.2bn Reuter

Demand for Bank loans has been relatively subdued in recent years but this is blamed more on bureaucracy and the policy conditions than because they are perceived as too expensive. The Bank has already taken steps to make its loans more attractive, for example by offering them in more convenient currencies.

Raising the cost of Bank loans would be controversial for a key political constituency among the Bank's shareholders, especially when the bureaucracy is engaged in an expensive restructuring exercise. But Mr Wolfensohn will hope for a signal from ministers tomorrow that will allow his board to make progress in coming months.

Peace beckons over 'paper gold' increase

By Robert Chote

Two and a half years ago the International Monetary Fund's annual meeting in Madrid was scarred by a ferocious disagreement between developing and industrial countries. In Washington yesterday it looked as though peace might be about to break out at last.

The dispute surrounds plans to create billions of dollars worth of special drawing rights (SDRs), the IMF's quasi-currency or "paper gold". They are, in effect, an overdraft facility which allows central banks to borrow foreign exchange reserves at interest rates normally available only to the most creditworthy countries. One SDR is worth around \$1.40 and countries hold about \$30bn. Originally they were issued to each nation in proportion to its "shareholding" in the Fund.

In 1994 Mr Michel Camdessus, the managing director of the IMF, proposed an across-the-board allocation of SDR36bn (\$50bn), with the support of developing countries. But the Group of Seven leading industrial countries insisted that the allocation should be limited to SDR16bn and skewed towards countries which had joined the Fund since SDRs were last issued in 1981.

Mr Camdessus said countries needed access to extra reserves because of expanding world trade and greater international capital transactions. But the G7 said countries needed less reserves than previously and that an SDR allocation might push up inflation. Since 1994 the position of the two camps has drawn steadily closer.

By yesterday Mr Camdessus and the developing countries were prepared to back a skewed allocation of SDR22.4bn which would bring every IMF member's allocation up to 30 per cent of its "quota" – the subscription which determines its shareholding in the Fund. Some G7 countries were prepared to back this but the US and Germany were reluctant to go above SDR20bn.

Rumours circulated at IMF headquarters that Mr Camdessus might call an emergency meeting of the IMF board last night to close the gap. Mr Philippe Maystadt, Belgium's finance minister and chairman of the IMF's key ministerial committee, believes the sides are close enough to reach agreement, perhaps on a SDR21.4bn allocation, doubling the SDRs in issue. He will press for a deal at today's meeting of his committee.

The committee will also attempt to make progress in agreeing an increase in the IMF's \$210bn capital base, following a last-minute indication of flexibility by the US. Mr Camdessus has moderated his demands following an unexpected improvement in the IMF's liquidity over recent months. Staff estimate that the ratio of the IMF's usable resources to its short-term liabilities will stand at 96 per cent at the end of this year, compared to previous estimates of less than 70 per cent and its desired long-term benchmark of 90 per cent.

Last week Mr Camdessus suggested increasing quotas by 55-65 per cent. Two-thirds would be allocated equiproportionately to countries' existing quotas. Additional selective allocations would go to countries in line with their importance in the world economy with further *ad hoc* allocations for between five and 10 countries, including Japan, Germany, Austria and Spain.

Germany, Canada, the US and the UK were still unhappy with a quota increase this big. Mr Maystadt nonetheless believes agreement may be possible on an increase of 45-50 per cent but narrowing differences of opinion on the size of the increase will be easier than agreeing how it should be distributed.

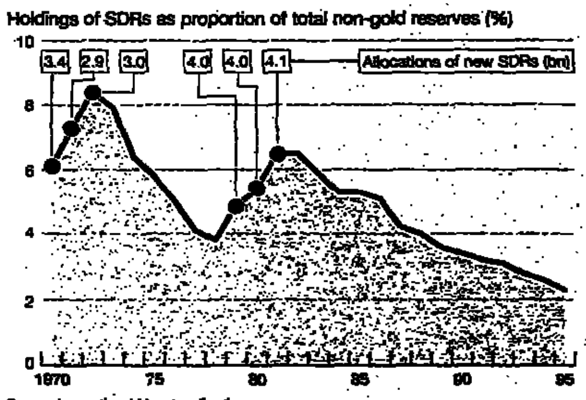
The US and developing countries favour a large equiproportional allocation, while Japan wants bigger selective allocations so that quotas catch up with the changes in countries' relative economic strengths.

The least contentious part of today's interim committee agenda should be proposals to encourage capital account convertibility among IMF members.

The IMF board has agreed on four main principles: that capital account convertibility is in the mandate of the Fund; its articles of agreement should reflect this; countries should be allowed flexibility when moving towards convertibility; and countries should be allowed to impose temporary restrictions on capital inflows and outflows with IMF approval.

Only a few days ago agreement on an SDR allocation, a quota increase and capital account convertibility looked impossible. By yesterday it still seemed unlikely but hopes of significant progress had risen markedly.

The SDR: more in store



Source: International Monetary Fund

Rule change extends debt relief net

By Robert Chote in London and Gerard Baker in Washington

The boards of the World Bank and International Monetary Fund have agreed to change the rules of their joint initiative on poor country debt, so that Ivory Coast and at least two other countries will now get debt relief at an extra cost of almost \$700m.

Officials describe the change as "a necessary correction" to prevent the scheme discriminating against countries relatively open to international trade. But the move was also prompted by intense political pressure from France, which wanted allies in west Africa to benefit.

The initiative involves the Paris Club of creditor governments increasing from 67 to 80 per cent the debt relief it normally offers to highly indebted poor countries with good policy records. Multilateral institutions will then provide whatever further help is necessary to reduce total debt burdens to a "sustainable" level.

When the initiative was drawn up a country's external debt was assumed to be sustainable if its net present value was no higher than 200 to 250 per cent of its annual export earnings. Ivory Coast would not qualify under these rules because its debt-to-export ratio would be only 156 per cent at its presumed "completion point" in 2000, when its policy record would be established.

But Ivory Coast's debt-to-export ratio is low largely because it exports half as much again of its national output than most other highly indebted poor countries. Its debt looks more onerous when compared with government revenues or the size of its economy.

The rule change agreed late last week would allow countries with debt-to-export ratios below 200 per cent to qualify for relief if they fulfilled two other criteria. First, they need a ratio of debt to national output of at least 40 per cent. Second, they need a ratio of government revenue to national output of at least 20 per cent.

IMF and World Bank staff believe this change would allow Ivory Coast, Congo and Guyana to qualify for debt relief. Mauritania and Yemen would also qualify, but Mauritania would probably have qualified anyway and Yemen has a relatively small debt. The debt relief would be around \$490m for Ivory Coast, \$90m for Congo and \$110m for Guyana.

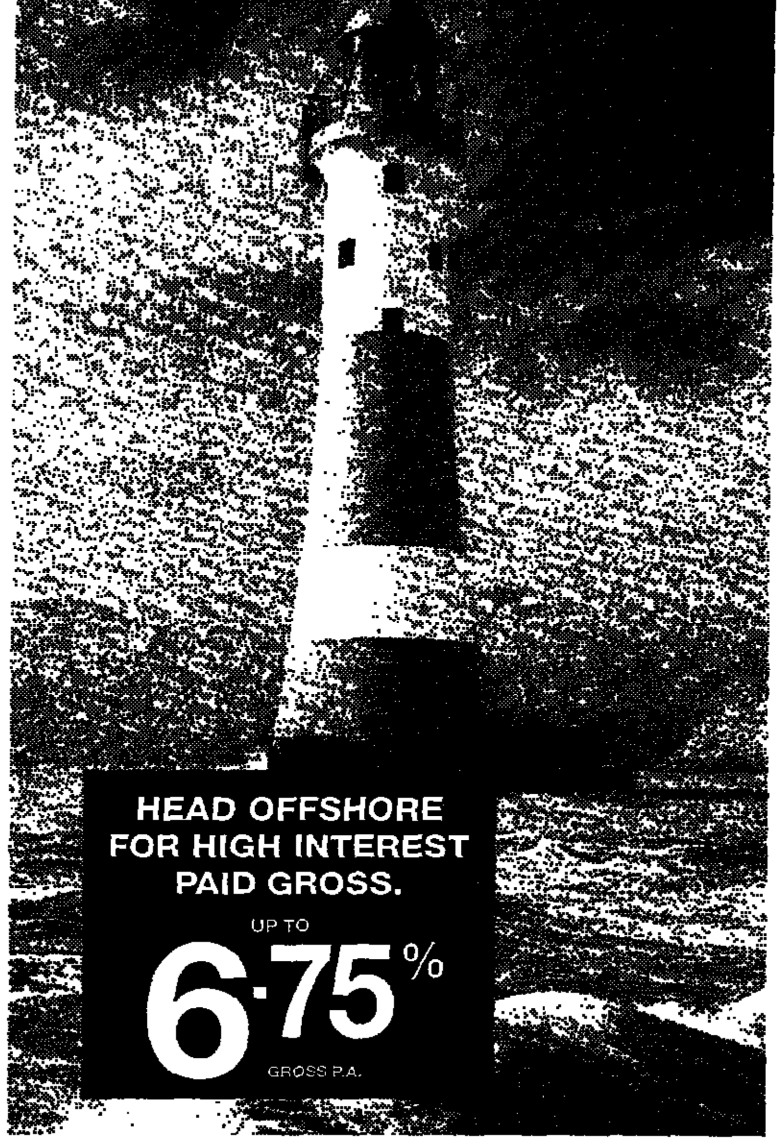
IMF and World Bank staff calculate that combining the new rules with a standard target for the debt-to-export ratio of 220 per cent would mean that 13 countries qualified for debt relief under the initiative at a total cost of \$5.5bn. Reducing the target to 200 per cent and including countries not at present in IMF programmes would raise total debt relief to around \$8.4bn for 18 countries.

"We have had to buy off the French," said one Group of Seven official, referring to the rule change. France has been helped by the fact that the French finance ministry hosts the secretariat of the Paris Club, the co-operation of which is necessary to ensure that bilateral creditors play their part. France had further leverage because its permission was needed to release funds from an IMF reserve account to help finance the initiative.

The initiative will have pleased finance ministers from developing countries who at the weekend urged the IMF and World Bank to speed up debt relief.

Ministers from the Group of 24 developing countries in Asia, Africa and Latin America welcomed approval of Uganda last week as the first country to receive relief under the programme. But, in a draft communique, they said more could be done.

They called for a more flexible approach to granting debt relief than the current rules that specify a clear period during which a country must demonstrate strong economic management before it becomes eligible.



Britain's first open-ended investment company is poised for launch early next month

Fund managers prepare for new vehicle

By Jean Eaglesham in London

A launch date for the first UK-based open-ended investment company, a type of investment vehicle expected to supersede unit trusts, will be announced this week.

Gan, a unit trust manager, plans to launch the first UK Oeic, a new fund investing in Japan, in early May, subject to approval from the Securities and Investments Board, the City of London's main financial regulator.

The final regulations allowing fund managers to offer this new type of vehicle – a cross between a unit trust and an investment company – come into force today. Fund managers say that not only are Oeics more flexible to run than unit trusts, the pricing structure is easier for investors to understand.

The Association of Unit Trusts and Investment Funds predicts Oeics will dominate the £141bn ($228bn) unit trust industry within a few years. "There will not be very many unit trusts left by mid-1999 – a large proportion will have been converted to Oeics," said Ms Sheila Nicoll, Autif's director of legal and fiscal affairs.

Unlike unit trusts, Oeics are already established in the rest of Europe. One reason the government has introduced UK-based Oeics is to give the UK fund management industry a product it can sell more readily to overseas investors than unit trusts.

Many UK fund managers already sell Oeics from offshore centres such as Dublin and Luxembourg. But UK-based Oeics will not have the same tax advantages for overseas investors as offshore funds. Managers are therefore sceptical about whether the new funds will appeal to overseas investors.

"The big question is whether we are going to be able to sell onshore Oeics into continental Europe. I think the jury is still out on that," said Mr Martin Harrison, director of mutual funds at Gan.

Mr James de Sausmarez, a director of fund manager Henderson Touche Remnant, agrees: "We might be able to sell lots offshore but not in the short term. As the rules currently stand, we cannot pay gross dividends, which is a major disadvantage for overseas investors."

In spite of this uncertainty, a number of fund managers are enthusiastic about Oeics. But other big fund management houses are more cautious. Schroders, the biggest unit trust manager, has "no immediate plans to change unit trusts into Oeics".

Conversions to Oeics before the end of June 1999 will not incur stamp duty. Ms Nicoll, of Autif, predicts there will be a "mad rush" to convert once that deadline approaches.

■ MINISTERS WHO CHANGED SIDES

Few Members of Parliament change parties and few of those survive for long in the House of Commons. Alan Howarth (left), formerly a junior education minister, shook the ruling Conservative party in 1995 by switching to Labour. He has since secured a safe route back to the Commons as Labour candidate for a district in south Wales. Lord Jenkins of Hillhead (right), chancellor of Oxford University and leader of the Liberal Democrat group in the House of Lords, is better known as Roy Jenkins, who was president of the European Commission in the late 1970s. A Labour minister for many years, he was one of the "Gang of Four" who quit Labour to found the Social Democrat party in 1981. Like all other SDP MPs, he lost his seat in the 1980s.

Signs of defeat spark Tory rift

By Robert Peston, Political Editor

A rift between Mr Brian Mawhinney, chairman of the Conservative party, and Lord Saatchi, its external advertising adviser, is threatening to undermine the final few days of the governing party's general election campaign.

In the clearest sign so far that senior Conservatives expect defeat on Thursday, allies of Mr Mawhinney and Lord Saatchi have formed warring camps. "They are getting their revenge in early," said a party official.

However Lord Saatchi, chairman of the Tories' advertising agency, M&C Saatchi, received backing from a minister: "The big problem is Mawhinney, who is abrasive, rude, abrupt and does not give his full attention to anything." Another Tory official complained that Mr Mawhinney "knows nothing about advertising".

Behind the tensions lies a more damaging potential rift, since Lord Saatchi's main complaints relate to decisions by Mr John Major, the prime minister. Lord Saatchi had hoped the government would rule out joining a European single currency as the anchor of its campaign.

Senior Conservatives are also alarmed that their party's recovery in opinion polls – even those carried out by the party itself – has gone into reverse. The Conservatives' internal polling now puts Labour's lead at about 8 per cent, which would give the opposition party a comfortable majority.

Ministers are now talking openly about when Mr Major should quit as Conservative leader after a Labour victory.

"It is taken for granted he will announce his intention to step down on election night," said a minister.

More news of the election campaign can be found at the Financial Times website http://www.FT.com

Gas watchdog warns over price controls

By Robert Corzine in London

Ofgas, the gas industry regulator, has warned that it could be in continual conflict with BG plc, the holding company of Transco, which runs the pipeline network, if the Monopolies and Mergers Commission report due next month on pipeline price controls is not tough enough.

Ms Clare Spottiswoode, the Ofgas director-general, has also warned in an interview with the Financial Times, that she may not implement all the MMC findings on Transco. Ofgas "may not follow the MMC's report slavishly", she said. "It depends on what's in it."

Last week, the Northern Ireland electricity regulator rejected the outcome of an MMC review of his pricing proposals for the electricity industry in the region.

Ms Spottiswoode said the MMC's decision to treat the Northern Ireland industry more favourably than the regulator had proposed did not necessarily mean that it would adopt a similar position with the BG case.

She noted that the cases involved two separate panels. But Ms Spottiswoode is concerned about whether the MMC will support her position on a technical issue which she says had the potential to mar future relations with BG.

She has told the MMC that unless it decides on a complex issue involving the value of the company's Transco pipeline network, her relationship with BG will be made much more difficult. It will complicate her efforts to reduce Transco's current monopoly over activities such as meter installation and repair.

The MMC decided in an earlier investigation that British Gas's assets were privatised at a significant discount to their book value. Ms Spottiswoode is now asking the commission to overturn the way it calculated the value of pipelines. The valuation fixed for the pipelines by the MMC will affect the company's revenues, which will be reduced if it sets a low value as part of a complex pricing structure.

"We have a problem with the MMC which could make unbundling of ancillary services painful," Ms Spottiswoode said.

UK NEWS DIGEST

IRA urged to build ceasefire

Mr Bertie Ahern, leader of Fianna Fail, the biggest opposition party in the Republic of Ireland, called yesterday for a lasting ceasefire by the Irish Republican Army.

"Continued IRA activity – even if less lethal than in the past – makes the task of rebuilding the peace process harder, and fosters huge distrust that is a real barrier to progress," Mr Ahern said at a ceremony in Dublin to mark the 1916 Easter Rising against British rule in Ireland.

"Sinn Féin seeks unconditional recognition of its democratic rights and mandate," he said. "It also has democratic obligations. The quid pro quo for full participation in the democratic life remains an end of IRA violence." Fianna Fail hopes to lead the republic's next government after a general election to be held in the coming six weeks.

- The IRA yesterday admitted setting off a bomb last Friday near an English motorway which caused widespread disruption. The admission came in a coded call to RTE, the state broadcasting network in the Republic of Ireland.
- Two teenagers have been charged with an arson attack early on Saturday on a Catholic church in Carrickfergus, Co Antrim, in Northern Ireland. The incident is the latest in a series of attacks on church property, of both Catholics and Protestants, over recent weeks.

■ N IRELAND

Violence hits tourism

Tourism to Northern Ireland from the British mainland, its largest market, has fallen since the end of the IRA ceasefire a year ago and looks set to come under further pressure this year because of the IRA's current campaign of disruption on the mainland.

The Northern Irish Tourist Board expects the number of visitors in 1996 to be down by 8 per cent on the 1.6m who visited the previous year – still ahead of the 1.3m visitors in 1994.

The region enjoyed a record year for tourism in 1995 thanks to the IRA ceasefire in September 1994. But the collapse of the ceasefire and bombs in England last year have led to the decline of a burgeoning industry. The NITB said: "The image through the media is one which can give visitors the impression that we are like Beirut or Bosnia." *Scheherazade Daneshkhu, London*

■ TECHNOLOGY

Academic link 'should be boosted'

Universities and companies should step up efforts to collaborate on technological ideas, Professor Alec Broers, vice chancellor of Cambridge University, will say in a lecture in London tonight.

Prof Broers, a former IBM research scientist, is expected to tell the Royal Academy of Engineering and the Royal Society that most technological advances stem from work at large companies, even though the ideas are often commercialised by smaller businesses, sometimes with the help of academic establishments. *Peter Marsh, London*

■ ANIMAL RIGHTS

Nine held during demonstration

Nine people were arrested during a demonstration against experiments on animals, police said yesterday. More than 400 protesters – some wearing masks – were involved in a series of demonstrations in southern England on Saturday.

The protests began at the home of Oxford University neuroscientist Professor Colin Blakemore whom the demonstrators said was a supporter of animal experiments. Professor Blakemore was not available for comment. Protesters also gathered outside a nearby research plant and at Oxford University's science department.

IT skills and wage pressure worsens

By Paul Taylor

UK-based computer services and software companies face a serious skills shortage and rapidly increasing wage costs which could undermine the sector's ambitious growth plans, according to an industry survey.

The CSSA, the UK association for the software, IT services and information industries, which conducted the research among its 530 members, adds that these problems are likely to worsen as more companies adjust for European economic and monetary union, and address the "millennium bomb" problem – in which computers are unable to distinguish between dates in this century and the next.

The survey confirms that Britain's IT industry expects to be an important source of new employment, has high expectations for training and education and strong ambitions to be globally competitive. But it also indicates that these plans could be jeopardised by severe shortages of skilled staff.

"The software and IT services industry is heavily dependent on skilled staff," the association says. "Severe bottlenecks are already occurring and much concern was expressed about the ability to fulfil current and future demand."

Respondents to the survey predicted a total turnover of about £8.7bn ($14bn) this year. In total, they employ almost 40,000 people and have about 3,500 job vacancies. Vacancies are projected to increase to 14,500 over the next three years.

Wage inflation in the sector is between two and four times the retail price index. The association warns this "will inevitably lead to rises in the costs and risks of IT projects". Labour usually accounts for about 70 per cent of project costs.

Two likely consequences, the association says, are an exodus of IT staff from the public sector to the better-paid private sector, and an increase in contracting to lower-cost economies, such as India or eastern Europe.

Regulator may fine low-cost broker

By Jonathan Guthrie in London

The Securities and Futures Authority is expected to announce disciplinary action against low-cost broker Fidelity Brokerage Services this week. Industry sources say this could include the imposition of a fine.

The stockbroking regulator's announcement – provisionally scheduled for Thursday – is expected to state whether FBS can reopen to new business. It stopped taking on new clients last October at the request of the SFA, and undertook not to launch new services.

The SFA crackdown is the result of a huge administrative muddle at FBS. This followed the botching of a project to install a new settlement and record-keeping system, called Tarot, in April last year. The result was a flood of complaints from clients – one-third of the total received by the SFA for 1996.

Installation of the Tarot system was intended to improve the service to customers. However, software bugs prevented it from performing several important functions. The broker's clients, who are mainly private investors, reported a steep decline in quality of service.

FBS's problems have been a big embarrassment for its owner, the worldwide broking and fund management group Fidelity Investments, which prides itself on the quality of its customer service. It has made huge efforts to try and sort the mess out. These include seconding teams of US-based staff to FBS.

The most senior officer to participate in the salvage attempt has been Mr Kenneth Rathgeber, chief financial officer and treasurer of Fidelity Investments in the US. In November he replaced Mr David Plucinsky, who presided over Tarot's implementation, as president of FBS. But in January the SFA said that the brokerage had failed to improve its service to the level it required, although it had made significant progress.

NEWS: INTERNATIONAL

Budget pact moves closer, says Clinton

By Nancy Dunne in Washington

President Bill Clinton yesterday said White House and congressional negotiators had moved closer to an elusive five-year balanced budget pact and cited last week's approval by the Senate of a chemical weapons treaty as "a road map" for progress.

Seeking to capitalise on the fragile bipartisan spirit engendered by the Senate vote, the president indicated in an interview on CBS that it should be clear "in a few days" whether agreement can be reached.

White House and congressional negotiators were quietly, methodically working through their differences, he said, in much the same way as they did in the treaty debate.

Progress has been stalled over the levels of programme and tax cuts in the five-year plan. The president has sought $43bn for domestic programmes, such as education and healthcare for poor children. Republicans have proposed $15.5bn.

Republicans have proposed tax cuts of about $150bn. The White House, which wanted a $98bn tax cut, last week moved closer to them by offering $126bn in tax reductions.

Part of the solution, urged by Republicans, has been to revise the method used to compile the consumer price index (CPI), which forms the basis for cost-of-living increases for pensioners and others receiving benefits. Even a small cut in the annual rises in the cost of living index could save billions of dollars.

Mr Clinton noted "an overwhelming consensus" that the CPI overstates inflation and indicated he would agree to "take the heat" for a change in the CPI, if the reformulation was based on the merits of the case rather than politics.

"I don't want a political fix to pay for big tax cuts or Democratic spending programmes," he said.

But any significant change in the CPI will be opposed by the liberals, labour and senior citizens' groups – the president's strongest supporters in last year's elections. He argued yesterday that a change "based on merits" would save the pension scheme in the long run, but made clear he did not want to impoverish the elderly.

The president has urged budget negotiators to reach a deal before he leaves for a visit to Mexico on May 5.

LA's gang epidemic spreads overseas

Los Angeles gang violence, the virulent social disease which daily bloodies the streets of southern California, has blown into a national epidemic and is now spreading overseas, Washington legislators were told last week.

On Wednesday, when two alleged gang members, boys of 14 and 15, were charged with shooting dead a 17-year-old outside an LA high school, a Senate committee heard that groups claiming links to the Crips and Bloods – best known of the 1,000-plus gangs originating in the city – had been identified in 42 states.

The 18th Street and Mara Salvatrucha gangs, two of the biggest LA groups, were now organised on the east coast and even in the Caribbean, the committee was told.

The issue is to be raised at the first US-Caribbean summit in Barbados, next month, following an upsurge in violent crime linked by officials in Jamaica, Guyana and the Dominican Republic with recently increased deportations from the US.

Mr Steven Wiley, head of the FBI violent crimes division, told the Senate hearing that gang migration within the US from Los Angeles had been happening since the late 1980s. Federal estimates suggest total membership now numbers over 650,000, a third of them minors.

In Los Angeles County, street gangs with a total membership of 150,000 had committed about 7,000 murders in the past 10 years – almost two a day – Mr James Mulvihill of the sheriff's department anti-gang force said in Washington last week.

Despite the rise of gang membership and violence, the most modest local LA initiatives, such as a recently granted injunction to restrict the activities of a small group of 18th Street gang members, consistently run into political opposition.

Ms Dianne Feinstein, a Californian senator and sponsor of federal anti-gang legislation which is the subject of the Senate committee hearings, failed to win endorsement for her bill.

The main complaint was that the proposed legislation focused on harsher enforcement to the exclusion of social, preventative measures to counter what opponents insist is an economic problem of the depressed inner city.

Ms Feinstein and her bipartisan supporters press their case for new laws against the background of an unfocused debate on the true nature, ambitions and criminality of the groups lumped together as "gang-bangers".

"Crippin" emerged from the ghetto alleys in school playgrounds almost 25 years ago, when baggy trousers representing affiliation with the Crips became a cult fashion which has since developed into an international youth dress standard.

The high-five handshake, coloured bandanas and other emblems of street gang culture have followed a similar route.

However, two key events appear to have contributed to the more sinister local and national developments of the past decade. The first was the emergence in 1984 of crack cocaine as the street "drug of choice", and the switch of cocaine imports from their former route through Florida to southern California, via Mexico. The second was the looting during the 1992 riots of an estimated 10,000 guns.

Dianne Feinstein: pressing for new laws — Camera Press

The former gave the gangs an economic reason for war (and migration with narcotics for sale into other regions), and the latter armed them for battle. In the interim, the number of alleged gang members in LA has trebled and the daily killing rate has reportedly doubled.

However, many gangs remain dedicated to territorial defence, with violence often limited to scuffling.

Most start out small, and clearly defined along racial lines, such as the Bui Dui – "dust in the wind" – groups with Vietnamese origins. But the Mara Salvatrucha – "cool dudes from El Salvador" – now has a broad-based Latin American membership.

Ironically, this process is often assisted by parents moving out of cities in search of more peaceful places to bring up their children. Experience in Arizona, a favoured destination for Angelenos, has shown local youngsters readily imitate newcomers' tougher ways.

Such views, and other apocryphal evidence, have been presented as proof by some more avid get-tough legislators that gangs have developed an integrated franchise system.

But the notion of such sophisticated networking is rejected by the FBI, which says new gangs often adopt well-known names to enhance their status. Unfortunately, they often emerge as even more violent than the groups they seek to ape.

California's neighbour state also provides evidence that new groups tend rapidly to spawn local rivals. In Phoenix, where gangs were virtually unknown 10 years ago, there are now over 300.

Christopher Parkes

US leaders get their hands dirty

By Patti Waldmeir in Washington

It was dress-down day for America's presidents yesterday, as the country's leaders past and present donned T-shirts, blue jeans and baseball caps to scrub graffiti from the walls of Philadelphia, kicking off a three-day pep rally of American volunteerism.

President Bill Clinton, volunteer-in-chief, cast aside his crutches and grasped a paint roller to whitewash a grafitti-scarred wall in a blighted inner city neighbourhood of the "city of brotherly love".

It was a day for civic piety and high-flown rhetoric, as former presidents – along with one who aspires to that role (Vice-President Al Gore) and one who claims not to (retired General Colin Powell) – exhorted Americans to donate more time and money to help "our children".

Gen Powell, the Gulf War hero, also launched an offensive on the television networks, carpet bombing them with interviews calling for volunteers to attack youth poverty.

The general, who used a career in the multiracial US army to rise above a childhood of poverty in the South Bronx, had pride of place in Philadelphia, as one of the most prominent living examples of the American dream come true. He called for a partnership between the private sector and government to fill the poverty gap which decades of welfare spending had failed to bridge.

"The era of big government is over," Gen Powell said, consciously echoing President Clinton. America's citizens and corporations would be called on to compensate for smaller government, and giving more time and money to volunteer work would prove "a good deal for corporate America".

VIP volunteers – including a T-shirt clad Mrs Barbara Bush, wife of the former president, and first lady Hillary Clinton in designer baseball cap and sunglasses – then set off to create a "graffiti free zone" along Philadelphia's Germantown Avenue.

President Clinton offered university students a deal in which they would donate a year of volunteer work to avoid paying a year's interest on student loans.

Yesterday's proceedings, the first of the three-day Presidents' Summit for America's Future, was due to conclude with a gala celebration of American volunteerism attended by stars of film and television – John Travolta, Brooke Shields and Oprah Winfrey. Later today the choreographed clean-up will give way to speeches extolling the civic virtues of a new volunteerism.

Editorial comment, Page 17

INTERNATIONAL NEWS DIGEST

Canada calls June election

Mr Jean Chrétien, Canada's Liberal prime minister, yesterday called a general election on June 2, 17 months before it was due. An Angus Reid poll published on Saturday gave the Liberals a 24-point lead among decided voters over their nearest rivals, the Conservatives, and a Gallup Canada poll on Friday put them 40 points ahead.

The rightwing vote was divided between the populist Reform party and the then-ruling Conservatives in 1993, enabling the Liberals to sweep to a majority of 177 out of 295 seats in the House of Commons. The opposition vote is further split between the Bloc Québécois pushing for the separatist vote in Quebec and the leftwing New Democratic party calling for more spending and more taxes. But about one third of those polled are undecided, and Canadian voters have shown tremendous volatility in recent years, giving Mr Chrétien's rivals a glimmer of hope.

Reuter, Ottawa

Local poll test for Prodi

The centre-left olive tree coalition government headed by Mr Romano Prodi faced an important electoral test yesterday when 9m Italians had the chance to vote for new provincial and communal administrations. Most attention was focused on the northern cities, particularly Milan, where the secessionist Northern League's Marco Formentini was standing for re-election as mayor.

Trieste and Turin were crucial tests for the government, whose candidates, Mr Riccardo Illy in Trieste and Mr Valentino Castellani in Turin, were the outgoing mayors. Failure in these cities would be a serious blow for Mr Prodi and would create more problems for his shaky government. It is unlikely that the results will be known when vote-counting is completed later today, as the winning candidate for mayor must win the majority of votes cast. Run-offs for the two leading candidates will be held on 11 May. The first voting figures showed turnout significantly down on the preceding local elections.

David Lane, Rome

Jospin agrees to Communists

Mr Lionel Jospin, the French Socialist leader, said yesterday that if the left won the parliamentary elections to be held in May and June, he was ready to take Communists into government provided they toed the Socialist line. In advance of a meeting tomorrow with Mr Robert Hue, the Communist leader, Mr Jospin said it was up to the Communists to "decide what they want" and "whether they are able to take the responsibility [of following] a clear guideline which will have been fixed by French voters and which will, necessarily, be that of the majority party on the left".

Prime Minister Alain Juppé, leading his centre-right coalition's campaign, has sought to lump together the Socialists and Communists, who differ over a single European currency, by challenging Mr Jospin and Mr Hue to a joint TV debate. Mr Jospin declined, insisting on debating alone with the prime minister. Mr Juppé's RPR Gaullist party yesterday played down its own divisions on Europe, after one of its Eurosceptics, Mr Charles Pasqua, held a weekend rally denouncing the current austerity programme and calling for a new policy.

Meanwhile, asked about an earlier admission that he had smoked hashish, Mr Jospin said on television that he would like to decriminalise the use of the drug.

David Buchan, Paris

Hopes for German tax pact

Hopes of an agreement on German tax reform were boosted yesterday after senior opposition politicians indicated that a compromise could still be reached by the end of the year despite the collapse of talks last week. Mr Theo Waigel, finance minister, also adopted a more conciliatory tone when he said in a newspaper interview that there was scope for compromise with the opposition Social Democratic party (SPD).

Mr Roman Herzog, the German president, had on Saturday unleashed a scathing attack on Germany's politicians, lambasting them for delay and calling for "sacrifice" and "co-operation" in an address to the nation.

Mr Kurt Beck, Mr Gerhard Schröder and Mr Henning Voscherau, leading SPD politicians, told the German newspaper Bild am Sonntag they were prepared to depart from the party line put forward by Mr Oskar Lafontaine, the SPD leader. But Mr Lafontaine lashed out at the government's proposals.

Graham Bowley, Frankfurt

Brazil in tax move to attract funds

By Jonathan Wheatley in São Paulo

Brazil's central bank has cut the rate of tax levied on fixed income investments and other financial operations in a move designed to stem the flow of foreign capital leaving the country and to ease worrying pressure on the current account deficit.

The financial operations tax (IOF) has been cut from 7 per cent to 2 per cent on fixed income investments, currency transfers and interbank transactions and from 3 per cent to zero on three-year bonds issued by Brazilian borrowers. The rate on four and five-year bonds, previously 2 per cent and 1 per cent respectively, also falls to zero.

The rate on investments in "privatisation funds", which invest in government bonds accepted in privatisation sales, is cut from 5 per cent to zero.

Brazil's foreign reserves fell by $1bn in the first quarter to about $59bn. A further $800m has left the country this month in addition to sovereign debt payments, which fall due in April and October, of about $1.6bn.

The fall in reserves coincides with a burgeoning current account deficit, expected to reach $35bn this year, driven by a widening trade gap.

Brazilian fixed income investments have become less attractive to overseas investors in the past year as interest rates have fallen.

At the beginning of 1996 foreigners could earn annual returns of 20 per cent. Net of the IOF, the annual rate of return had fallen to 6.5 per cent last week but rose to 9.2 per cent as a result of the latest changes, according to Mr Deiwes Roubira of ING Barings in São Paulo.

"That is enough to retain a reasonable attraction for unhedged investors, but it is unlikely to do more than stabilise reserves at their current level," he said.

Earlier this month the central bank held its basic interest rate steady after eight consecutive monthly reductions, in a move seen as part of a gradual tightening of consumer credit in a bid to slow imports.

Analysts had expected further credit restrictions to follow.

For the present, the government has chosen to concentrate on financing the current account deficit through short-term capital flows, rather than attacking the trade deficit directly.

MANAGEMENT

US companies are now more willing to help partners relocate, says **Victoria Griffith**

Move me, move my spouse

When Iara Yamamoto's husband was transferred from São Paulo, Brazil to Boston, Massachusetts, a few years ago, she was delighted by the prospect of living abroad.

A successful dermatologist, Yamamoto planned to maintain her São Paulo practice through frequent trips back home. At first, she found it stimulating to hop on an aircraft every six weeks for a two-week stint in Brazil. Soon, though, she began to tire of the ordeal.

"I was either working myself to death in São Paulo or doing practically nothing in Boston," she explains. So she packed her bags and left, a full eight months before her husband returned.

This is the kind of situation international corporations are eager to avoid. "If their spouse is unhappy, chances are the employee will not put in their best performance," says Mark Forbes, head of global relocation for Dow Chemical. "Unhappy spouses are also the biggest reason for employees asking to go home early."

Because moving employees is so expensive, companies are understandably anxious to minimise the chances of failure. According to Homeward Bound, a consultancy which advises companies on relocations, the total cost can run into hundreds of thousands of dollars for high-level executives.

Concern about their spouses' career may also keep qualified workers from accepting transfers at all. Spousal employment was cited in a survey by the moving company Atlas Van Lines as the most common reason employees object to relocation.

In an effort to ease the process, US companies are starting to formalise programmes that give "trailing spouses" more help in adjusting. The Atlas survey found that corporations have heavily augmented spending on spousal job-hunting assistance over the past few years. In 1993, the average expenditure for companies offering this service was $12,682. By 1995, that had risen to $52,166.

While some companies are spending a lot more, much of corporate America has yet to wake up to the problem. Only 28 per cent of companies in the Atlas survey said they assisted spouses during relocation, and many of those that did, offered only minimal help.

Yet as growing numbers of managers are married to career-oriented spouses, relocations threaten to become an increasingly wrenching experience. "It used to be, you'd call John into the office and say 'Hey, we've got a great opportunity for you in Cleveland!'," says Burke Stinson of the telecommunications group AT&T. "John, anxious to show he was a good company man, would respond 'Great! I'll go home and tell the little lady.' That just doesn't happen any more!"

AT&T is at the leading edge of spousal assistance programmes. The most basic services include help with writing CVs and identifying career opportunities, tips on interview techniques and sorting out paperwork for an international move. Some companies – including insurance group Chubb, chemical manufacturer Dow Chemical, telecommunications group Motorola, and financial company Fleet Mortgage – have taken the concept further.

Dow Chemical, for instance, gathers relevant personal information even before offering candidates a position in another town. Much is obtained in an informal manner through social conversation at the office. Managers try to discover how important the spouse's income is to the family budget, and how transferable the spouse's skills may be.

"We don't like to pry, but we also don't want to make an offer to an employee if we know they'd have a hard time accepting the position," says Forbes of Dow. "It would be unfair to put them on the spot like that."

Once the worker has formally been announced as a candidate, companies such as Dow and Chubb hand out a self-evaluation form to get a better feeling for the entire family's personal and career goals.

The idea is to uncover any potential conflicts ahead of time. Spouses dreaming of opening a wine shop in the Netherlands, for instance, may be terribly disappointed to discover that they need to pass a stringent examination. Such issues should be discussed at the start.

International moves are especially difficult to handle, say companies. In many countries, the employee's spouse does not even have the legal right to work. "We find international relocations are the biggest challenge," says Grace Johnson, head of relocation for Chubb.

Language instruction and legal advice on obtaining work permits are considered essential parts of international spousal assistance programmes. Dow Chemical also cushions the move with a stipend of $5,000 (£3,086) a year, to be used towards the cost of seminars and anything else that may help the trailing spouse tread water professionally during the foreign stint.

Even transfers within the US can be a challenge. Lawyers and doctors, for example, may have to re-take professional qualifying exams to operate in another state. Business owners may also encounter difficulties. Again, companies can make a big difference, say consultants, by paying for refresher courses for exams and sharing helpful information.

"One trailing spouse we dealt with owned a house renovation company in Cincinnati," says Dorothy Savage, president of Homeward Bound. "His wife's company, when they were moving to Dallas, put him in touch with other people with similar businesses in the area. It helped a lot."

Although few companies admit it, relocation experts say if all else fails, some companies even hire a trailing spouse themselves. "They'll tell you the spouse has to go through the regular interviewing process," says Dick Morris, a consultant at Hewitt Associates, which specialises in employee benefits. "But managers will often pull strings if they really want the worker to move."

A few trends are working in companies' favour. As corporations globalise spouses are more likely to be able to find something suitable in the new location – perhaps even with their existing employer. The growth of telecommuting means some staff may even be able to continue in the same position. For most corporations though, dual-career couples will be a growing challenge.

"More people will probably say 'no' no matter how much help we offer," says Stinson of AT&T. "It's a new era."

Cuddly company: 'bears bring out the best in people'

PARTNERS

The English Bear Company

The English Bear Company was founded in 1991 by Alise Crossick, 29, and her husband Jonty, 28. They now have 10 shops in cities including Bath, Cambridge and London and have recently opened in Tokyo. Their annual turnover is £[illegible]m.

Jonty: "Alise and I met at Cambridge in 1988 when we were both impecunious students. We knew we wanted to be in business on our own and that whatever we did, we would have to start with nothing. Designing and selling T-shirts was the obvious choice because it didn't need any capital, only an understanding supplier. The bear idea grew out of that. Our most popular T-shirt featured a bear which Alise had drawn, yet she'd never actually made one when we decided to launch the bear company.

"Being a typical Antipodean, she just got on with it: advertised for bear-makers, then sat down with a bear manual. Most of the applicants patiently watched her demonstrate, then showed her how it could be done 100 per cent better.

"We always wanted to create a company that would communicate something from the heart, something magical. I think the bears do that because they express fun and cuddles. We make them out of distressed mohair which makes them look old and loved. Our customers don't want something pristine, they're looking for character.

"We initially made mistakes in identifying our customers. Our first outlet was a kiosk in Whiteley's which we thought was perfect as it gave us a start in London. The rent was so cheap that we didn't bother to carry out market research. It wasn't until we opened in Cambridge that we realised the tourist trade was much more lucrative.

"Our sites are now picked with greater care. It's about 50 per cent strategic choice, 30 per cent gut feeling and 20 per cent scientific data."

Alise: "It was never just about selling bears, our vision was the whole concept of people wearing bear clothes, eating bear marmalade and drinking bear tea.

"When people love bears, they personify them and become absorbed in the lifestyle. We get young businessmen coming into our shops who look like they want to quickly buy a bear and run out again. The next minute they're captivated and umming and ahhing over which face they like the best.

"Occasionally we get people bringing old bears for repairs, like the chap who rushed in with something his dog had half-eaten.

"There's not enough people in retail trying to help their customers, it's all take, take, take. We put our hearts into the business and believe passionately in the products. If you put enough energy and care into something it should work.

"We're not in business to suffer so we only work with people we like. Bears bring out the best in people because they cross gender and race and represent unconditional love. If we weren't working together I wouldn't find it so worthwhile. We generate so much love between us that it makes it wonderful for everyone around."

Fiona Lafferty

A shift to Brighton's tower of Babel

Richard Donkin on how American Express has helped European staff settle into its Sussex nerve-centre

The subject of international relocation has been given physical expression at the Brighton nerve-centre of American Express's European card service.

Every computer terminal has a flag or badge proclaiming the nationality or language skills of its user. In what could be mistaken for an annexe of the United Nations, the offices are scattered with nationals from across Europe running a new centralised service.

Until two years ago the service was organised across three centres, based in the UK, France and Germany. Like many companies during the early 1990s, American Express decided to centralise its back-office operations with a single hub.

The greatest management challenge has been to meld the different nationalities into a single unit and to persuade staff to relocate, retaining as many skilled staff as possible. Flights were arranged to bring families on look-and-see visits where they were shown around the Brighton area and given access to expert advice on taxation, pensions, schools and housing.

Zoran Novakovic, head of European Cardmember Servicing, says the company "wanted to give people the facts to make a big decision in their lives. It was important that people went into the move with their eyes open. I would much rather people decided it was not for them beforehand than abandon the move soon after coming."

He has first-hand experience himself of expatriate living, having spent 14 years in different European locations, including Zagreb, Germany and Austria.

The policy paid off, he says, with more than a third of the necessary recruitment achieved among existing staff – double the expected figure. Only one individual left the company after six months.

Barbara Vanderstichele, a team manager, says one of the most potentially difficult choices for her when she arrived from Brussels was whether she could pursue her career in the UK while her husband worked in Belgium. In the event, her husband was offered a job in the UK as they were making up their minds. "We decided it was fate that we should go."

Once staff were in place the different nationalities had to live with each other in the workplace. They tended to be organised primarily in teams on the basis of their language capabilities, but were mixed up across the office. "We didn't want to establish ghettos of different countries," says Novakovic.

Another important part of the integration was the fostering of a mutual understand by devising cultural awareness training. This was based on the work of Geert Hofstede and Fons Trompenaars, management specialists who have studied culture differences.

Cultural awareness also extends to food-sampling days when a particular nationality will bring in their regional specialities. "The influx of so many nationalities has led to a big improvement in choice in the canteen and olive oil consumption has gone up tenfold," he says.

The long and short of executive pay

Lucy Kellaway

In the bad old days company annual reports carried one tiny footnote on executive pay. It told you what the company was spending in total on directors' pay and how much the highest-paid director was getting. In a sick kind of way it was always fun trying to guess who the fattest cat was.

Post-Cadbury and post-Greenbury there is no room left for guesswork, let alone fun. The average annual report has page upon page of detail on directors' pay. It tells you (at length) about the composition of the remunerations committee, about the principles according to which the company sets pay, and the exact breakdown of the pay in an unmanageable number of categories. And very dull reading it makes too. In the United News & Media annual report you get seven whole pages of it in tiny type, in Rolls Royce you get six.

The old system was, of course, a scandal, as it meant that directors could pretty much pay themselves what they wished. But in that respect the new system does not seem to be all that different.

Part of the trouble with the new system is that it is too detailed. Shocking! you can say, looking at the headline figure of one chief executive after another showing remuneration of well over £1m.

Not shocking at all, the company explains each time. Most of it relates to special one-off factors. By dividing the pot into lots of different parts the company can nearly always show that the actual salary has not increased at all. And that's all that matters, right?

The new incentive schemes for directors make matters still worse. Many of them are so complicated that the beneficiaries themselves do not really understand how they work. It is easy to talk the new remuneration language of "international packages", "vesting" and "commuting", but that does not help in getting to the bottom of it. It may be better not to try: to stand back, look at the aggregate figures and notice that they get more preposterous every year.

While the bosses' pay is rising relentlessly, the sort of thing that companies are saying about their beloved, valuable workforces is also becoming increasingly fulsome. Lloyds TSB's latest annual report is typical: "We are committed to an environment marked by teamwork, accountability, innovation, openness and empowerment that provides an opportunity for personal challenge and growth."

This contradiction was underlined last week by Stuart Hampson, chairman of John Lewis. He made the very obvious point – ignored by nearly all organisations – that if it is worthwhile to come up with a fancy incentive scheme to make the chief executive feel motivated, it must be worthwhile to do the same for everyone in the company.

At John Lewis the bonus scheme does not need seven pages of explanation. Last month the annual bonus was set at 20 per cent for everyone.

It would be nice if companies were made to expose this hypocrisy in their annual reports. A simple amendment would go a long way: every time they use those photographs of their happy, multicultural employees, there should be a caption saying what that employee got paid and what their bonus was. And to ram the point home, the figure could be shown as a percentage of the chief executive's pay.

One of the silliest aspects of this remarkably silly election campaign has been the great enthusiasm for the focus group. Leaving to one side the question of whether political parties should twist and turn on every issue according to public opinion, there is the question of the right way to go about discovering what public opinion actually is.

Finding out what people really think is notoriously difficult and ruinously expensive. It involves large numbers, and even then is unreliable. Look what happened to the polls in 1992. That seems to have dented our faith in the polls, but people are putting their faith in something even more dubious.

The appeal of focus groups is that they are cheap and immediate. But not only are the samples so small that they don't mean a thing, they do not even reflect the views of the members of the groups. If people lie to pollsters there is no reason to believe that they will suddenly start telling the truth in a focus group.

That doesn't mean to say that these cozy little gatherings are worthless. They can be useful if what is wanted is new ideas. A nappy manufacturer might get a group of mothers together and ask them to think creatively about nappies. But then that is the difference between nappies and political parties: one is interested in new ideas, the other most decidedly is not.

THIS WEEK

Not speaking the same language

DATELINE

Zurich: the delicate balance between German, French and Italian-speaking interests is coming under threat, writes William Hall

Once a year, on the third Monday in April, Zurich's bankers and business folk take the afternoon off to celebrate Sechseläuten (6 o'clock chimes), a festival marking the end of winter. The men dress up in medieval costume or top hats and join their ancient craft guilds for a parade through the streets while the women throw flowers.

It is the most important event in Zurich's modest social calendar and its highlight occurs when a group of horsemen, with banners flying, gallop round a giant bonfire in front of the opera house. On the top of the fire stands the "Böögg", an effigy of a snowman whose sacrifice marks the end of winter.

The "Böögg" is packed with explosive so when his time is up, he goes out with a bang. According to legend, the longer it takes to blow up the snowman, the shorter the summer will be.

The bankers take bets on it, and next day the Neue Zürcher Zeitung, Switzerland's main financial newspaper, set aside three pages to discuss the event, virtually ignoring the fact the stock market hit a record high.

That was not the only event to ruffle Zurich's traditionally peaceful spring. The previous weekend a small leftwing mob, ostensibly protesting against an earlier demonstration by rightwing skinheads, had smashed up bars in central Zurich.

While the ineffectual police response captured the headlines, two other events last week underlined the more significant behind-the-scenes strains which are starting to undermine the traditional political harmony between Switzerland and its financial capital.

The first involved Christoph Blocher, a Zurich politician and self-made billionaire. He launched an aggressive advertising campaign against the government's plan to repair its international image by setting up a SFr7bn (£2.9bn) foundation to help people in need at home and abroad.

The plan is backed by all four main political parties, including Blocher's People's party, and his opposition is another signal that he is the biggest threat to the cosy coalition which has ruled Switzerland since the 1950s.

The second event was the sudden resignation of Roger de Weck, editor of the Tages-Anzeiger, Switzerland's second-biggest daily newspaper.

His family is closely associated with Union Bank of Switzerland and he is one of the few opinion-formers who tried to bridge the gap between German-speaking Zurich and the rest of Switzerland.

Zurich's international importance may be declining. The centre of gravity of its big banks is increasingly moving to London and New York. The US government closed its consulate last year and the British government is about to downgrade its presence. It is not a city where international businessmen choose to live, unless they have to.

But in terms of Switzerland, Zurich is the country's biggest and most prosperous city – and its importance is growing. This is beginning to upset the delicate political balance of German, French and Italian-speaking interests which run the country.

Zurich dominates German-speaking Switzerland, which accounts for the bulk of the economy. German speakers represent 64 per cent of the population. When the economy was prospering, the government could paper over the linguistic fault-lines by generous cross-subsidies. The French and Italian services of the state-owned TV, for example, are heavily subsidised by profits from advertising on German-language programmes.

However, the country's longest recession since the 1930s has reinforced the antipathy of the rest of Switzerland towards Zurich which has weathered the recession much better than Geneva, Basle and Lausanne.

Zurich's increasing success and power is affecting the country's consensus approach to political decision-making. Switzerland three main political parties – the Radicals Christian Democrats and Social Democrats – are well represented around Switzerland. However, Blocher's People's party the junior coalition partner, draws most of its support from German-speaking Berne, the Swiss capital, and Zurich, Blocher's stronghold.

Since Blocher is not part of the political establishment, he has more freedom to pick up support from electors disenchanted with the government's policies. Swiss politics is becoming more combative and competitive and Mr Blocher is the prime beneficiary.

Klaus Stöhlker, a political consultant, believes he will win the 1999 general election. If correct, then it would lead to a major shake-up in the way Switzerland governs itself and accentuate the strains in Swiss society.

This helps explain why de Weck's resignation has caused such a stir. He made sure that the Tages-Anzeiger acted as a pro-European Union counterweight to Blocher's anti-EU arguments, and unlike Blocher, he was just as much at home in French-speaking Geneva and Lausanne, as in Zurich. He was able to build bridges across Switzerland's language zones at a time when Blocher appears intent on dismantling them.

Ironically, his departure was not precipitated by great editorial differences with his proprietor, Hans Heinrich Coninx, over the future of Switzerland, but by unhappiness with the tougher management style created in response to the recession. The same pressures that help explain Blocher's rise in the polls.

FT GUIDE TO:

INTERCONNECTION

Gather together a few competing telecommunications operators and the conversation turns sooner or later to "interconnection". Why?
Interconnection and its cost is the single most important issue affecting competition as national telecoms markets open up. National networks – and in particular the critical "last mile" or local link between the exchange and the home or office – are traditionally owned by the incumbent. Building an alternative local link by laying copper wire or glass fibre cables is an expensive business and may not be cost effective for some classes of customer, such as low-spending residential subscribers. New competitors opt to interconnect their networks and switching centres with the national network to receive calls from their customers or to have them delivered.

Seems obvious enough. What's the catch?
The catch is the amount the incumbent charges for allowing interconnection. These charges are a substantial proportion of a new operator's costs and therefore a powerful competitive weapon through which the incumbent can influence its rivals' business. By setting the charges high, the incumbent could effectively control or crush competition. With a number of competing operators, each with its own infrastructure as in the UK, the situation becomes much more complicated. Hundreds of interconnection agreements may have to be negotiated before competition can begin.

What is a reasonable interconnection charge?
How long is a piece of fibre optic cable? The incumbent wants a price which is as close to the retail price as possible. The competitor wants a price as close to the incumbent's real cost of providing the service. The difference between the two prices can be considerable, particularly as the retail price is usually little related to the underlying costs. Different countries take wildly different views. In general, where competitors and regulation is developed, interconnection prices are lowest. A study by Ovum, a London-based consultancy, indicated BT's interconnection price at 0.78p a minute compared with 1.31p for Ameritech in the US and 3.37p for Telecom New Zealand.

What happens if you settle for the real cost?
The problem is that nobody really knows how to calculate the true cost of providing a ubiquitous telephone network. Traditional operators, safe behind their monopoly barriers, have never had to break down their costs in that way. There are difficult questions about what should be included. It seems reasonable that competitors should contribute to the costs of maintaining a national network available at a reasonable price to all. But it is a delicate balance. Operators point out that while interconnection charges decline, if trading margins remain the same, there will be a point where revenues will be affected to the extent that investment in the business will have to be cut back.

Why is interconnection suddenly attracting attention?
Because January 1 next year, the date on which the European Union has declared open competition in all forms of telecommunications across virtually the whole region, is looming. Operators hoping to exploit newly liberalised markets abroad are becoming worried that too many countries have yet to finalise details of their regulatory regime – and with it, interconnection prices. Without published charges, financial planning is more an act of faith than business logic.

Who sets interconnection prices?
It varies from country to country. In the UK, which has more experience of open telecoms competition than any other European country, British Telecom's interconnection charges are determined by Oftel, the telecoms watchdog. Non-dominant operators – which means everybody else – set theirs by commercial negotiation. Oftel steps in if they fail to agree. In Germany, the charges are negotiated between competitors but the agreements must be submitted to the regulatory authority for approval. So far, the rates have not been published. In France, the dominant operator has to publish a catalogue of its prices, in order that the regulator may "assure cost orientation".

Why has there been a spate of prices published?
Under the terms of the market opening directive in Europe, there is a July 1 deadline for incumbents to publish their prices and have them approved by their national operator.

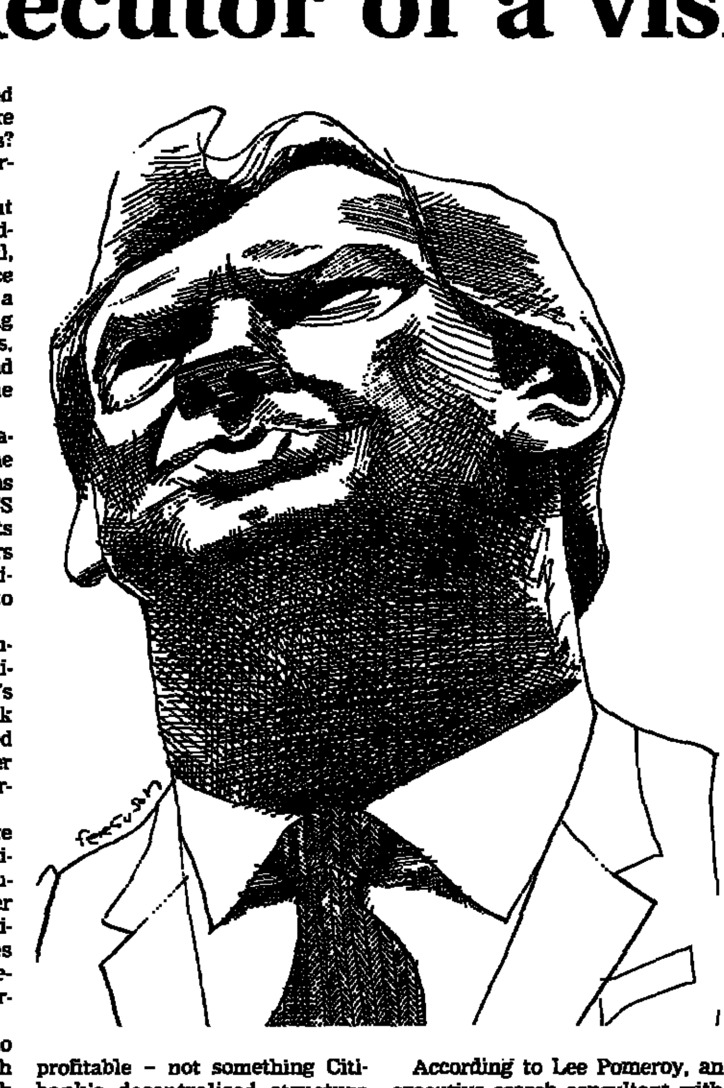
Sounds as if the lawyers could benefit?
Certainly. Telecom New Zealand, for example, is taking its rival Clear Communication to court claiming unpaid bills of over NZ$1m. The companies signed an interconnection agreement a year ago but Clear has since been negotiating to have some prices changed. Disputes of this kind seem certain to end up in courts all over the world.

Is there no alternative to interconnection?
A number of operators are offering commercial services based on alternative infrastructure such as cable or radio. In the UK, Ionica is one of a number of operators offering a fixed radio service in the local link. In the long run, however, interconnection has to be accepted as a fact of life. The sooner a method is developed to calculate the true costs of providing an interconnection service, the better for the industry and its customers.

Alan Cane

The Monday Profile: William Campbell, Citibank

Executor of a vision



Can a bank be marketed globally as a brand like a packet of cigarettes? Citicorp seems determined to find out.

Last week, news filtered out from the bank's New York headquarters that William Campbell, with only 15 months' experience at Citibank, was to be given a newly created job controlling both the bank's retail branches, which it calls "Citibanking", and its credit card operation, the world's largest.

Campbell, a 52-year-old Canadian, spent 28 years running the Asian and then the US operations of Philip Morris, the giant US tobacco and consumer products company. His new empire covers all 98 countries in which Citibank operates, and is also to include investment products.

The news extinguished any lingering doubt about the determination of John Reed, Citicorp's chief executive, to turn Citibank into a global consumer branded business, more similar to Procter & Gamble, Gillette or Philip Morris, than to rival US banks.

Now, Campbell has to execute the vision, reinforcing the Citibank brand and finding opportunities to cross-sell products over the complete range of its distribution systems, from branches and credit cards through telephone banking to its on-line service, the largest in the US.

He was not available to talk to the press last week – news which surprised nobody as the bank avoids unnecessary public relations events – but Campbell's recent comments to analysts show he is reading from the same text on branding as Reed.

At the end of last year, he told a New York conference held by Merrill Lynch that Citibank was "the greatest single consumer opportunity I've seen in my professional lifetime". His aim was to "build real brand equity which can be used to increase margins or market share or both".

This could be done by selling more products to each customer, thus making each account more profitable – not something Citibank's decentralised structure encouraged. A strong brand name would also reduce the heavy expenses of acquiring new accounts.

Of the branch network, he said: "Citibanking means we will look, sound and feel the same in the branches, at the ATM, on the CitiPhone and on your personal computer. The customer gets consistency, quality and sometimes a 'wow'."

While it is unprecedented for a non-banker to assume so much influence so swiftly, Citicorp is used to recruiting marketing executives from outside banking.

According to Lee Pomeroy, an executive search consultant with Egon Zehnder International, one of many headhunting firms which keeps its eyes firmly on every Citicorp reorganisation: "Citi feels it can train good bankers, but it can't train marketing. So it's much easier to get people with the marketing skills and train them in what they need to know about banking products. Citicorp has acted in that way for a generation."

In particular, he adds, Citicorp needs recruits with expertise in offering products through a number of alternative channels, a discipline still very new to bankers.

If Campbell's new job symbolises a new business strategy, it also marks a decisive change in Citicorp's management structure. During the bank's struggles with bad real estate loans and poor investments in developing markets in the early 1990s, it was run on functional lines, with a "Group of 15" executives from different divisions reporting directly to Mr Reed every month.

Credit cards had previously been run separately from the branch networks. This carried the potential drawback that the card operation might not be used as a "gateway" for attracting customers to other products.

Functional reporting now seems to have been abandoned. By taking control of the operation, Campbell seems to have won a power struggle against Roberta Arena, 49, head of credit cards in Europe and North America, a Citicorp veteran of more than two decades, and probably the most senior woman in the US banking industry.

Relations between Arena and Campbell since his arrival at the beginning of last year were known to be frosty. She will now report to him for a few months before taking early retirement at the end of this year.

While life in Citicorp, overpopulated with skilled and aggressive managers, is not relaxing it should not hold too many fears for Campbell, who has spent the last few years defending the tobacco industry from political and consumerist attacks in the US.

He was one of the tobacco company executives called in 1994 to testify before Congress in hearings likened to Soviet show trials. By common consent, Campbell was the most convincing and assured. But his denials that nicotine was addictive and his assertion that he had "no preference" whether his children or grandchildren should become smokers, might yet return to haunt him.

John Authers

Robert Chote · Economics Notebook

The price of devolution

A fiscal settlement for Scotland may be trickier than a constitutional one

By the end of this week campaigners for a Scottish parliament may at last have victory within their sights. But if an incoming Labour government wins backing for its plans for devolution, Scots may find that the price for this triumph is a double whammy of higher taxes and poorer public services.

A new constitutional settlement for Scotland will demand a new fiscal settlement. And achieving agreement on this may make resolving the West Lothian question of Scotland's representation at Westminster appear a doddle by comparison.

So far, Labour has had an easy ride because of the Conservative party's commendable reluctance to play the English nationalist card south of the border. But a drubbing at Labour's hands on Thursday may change its mind.

Devolution would force London and Edinburgh to resolve a long and inconclusively debated question: to what extent do the official figures show that England's taxpayers subsidise Scotland's, or vice versa? Do Scots receive their fair share of public spending and do they pay their fair share of taxes?

"Identifiable" public spending averaged £4,614 per person in Scotland during 1995-96, compared with just £3,743 per person in England. This is a difference of £871 or 23 per cent. Identifiable spending excludes areas such as defence and overseas aid, for which it is difficult to assess how the benefits are distributed.

Public spending per head in Scotland exceeds the UK average in all principal categories of expenditure. The Scottish premium varies from 4 per cent in the case of transport to more than 150 per cent for agriculture, fisheries, food and forestry.

Nobody questions the fact that public spending should be higher in Scotland than England. "It is to be expected that, within any state, the level of public expenditure will differ from one constituent part to another," the Scottish Office argued last October. "Needs vary and public expenditure should reflect needs rather than the wealth or taxable capacity of the area in question."

Scotland's extra "need" shows up in five principal areas:

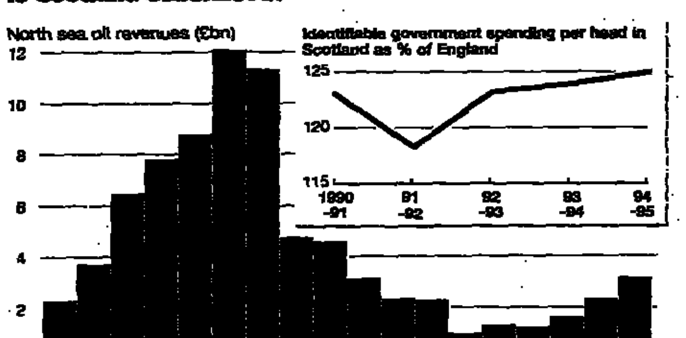
● Social security: Some 27 per cent of Scots received housing benefit in 1993-94, compared with 19 per cent of the English. Scots were also more likely to be in receipt of council tax benefit, family credit and income support, as well as sickness, invalidity and disablement benefits.

● Health: Infant mortality and deaths from heart disease, bronchitis, cancer and road traffic accidents are all more prevalent in Scotland than in England. The extent to which poor health in Scotland is self-inflicted is debateable: Scots smoke more than the English but drink less.

● Education: Scotland has a higher proportion of its population in higher and further education than England as well as more students on four-year courses and in expensive disciplines such as medicine and engineering. Scotland also educates a net inflow of students from the rest of the UK sufficient to fill two of its universities.

● Housing: In 1993 some 34 per cent of homes in Scotland were local authority owned, compared with just 19 per cent in England.

Is Scotland subsidised?



Source: Government expenditure and revenue in Scotland

● Roads: Scotland's sparsely distributed population means it has more kilometres of road per person than England, and poorer weather means that each kilometre costs more to maintain.

When devolution was last contemplated in 1979, the government carried out a "needs assessment" which concluded that factors such as these justified a level of identifiable public spending per head 16 per cent higher in Scotland than in England. In fact, spending was much higher.

The so-called Barnett formula was then established, under which Scotland thereafter automatically received the same increases in public spending as England, adjusted for the differences in their populations at the time the formula was devised. But Scotland has continued to receive bigger increases in spending per head than England because its population has fallen relative to England's through emigration. The formula was revised in 1992, but the gap in spending per head has since widened again in Scotland's favour.

This "excess" spending shows up in several ways. Scotland has two-thirds more hospital beds per patient than England, its waiting lists are 22 per cent shorter and its pupil-teacher ratio is 14 per cent lower.

What if a Conservative opposition of English nationalists pressed Labour to remove this excess spending as the price of devolution. If we assume – perhaps a little generously – that Scotland's need for extra spending is the same now as it was in 1979, then this would mean cutting identifiable public spending in Scotland by more than £1.3bn. Adding in Scotland's share of non-identifiable public spending would raise this to more than £1.7bn or approximately £340 per head.

Cuts of this magnitude would reduce public spending in Scotland by 5.7 per cent. Even if a Scottish parliament were to levy the full 3p extra on income tax which Labour's proposals would permit, this would restore barely a quarter of the lost resources.

But so far we have looked only at only one side of the public finances. The £1.7bn is not necessarily "excess" if Scottish voters are already paying for it through higher taxes. Scotland paid £22.1bn in tax revenues during 1994-95, around £360m more than if it paid the same share of national income as the UK.

This does not come close to closing the gap, but the calculation excludes North Sea oil revenues which the Scottish Office estimates at £3.2bn for 1996-97.

A rule allocating revenues from each oil-field to whichever country is closer would entitle Scotland to 80-85 per cent of this revenue, rather than the 9 per cent it gets on the assumption that revenues are allocated evenly across the UK population.

This would mean that Scotland were paying "excess" tax of £2.5bn, comfortably exceeding the £1.7bn in excess spending it enjoys.

With subsidies moving in both directions, a Labour government might find itself caught in a pincer movement – attacked by the Conservatives for letting the Scots spend too much and by the Scottish National Party for handing too much revenue to the English.

Getting its devolution sums right will be no easy task.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 27.04.97: Pool purchase price £/MWh	Final Prices for Trading on 30.03.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.60	9.00	10.52
0100	11.59	-.--	-.--
0130	11.66	-.--	-.--
0200	11.65	9.00	10.52
0230	28.33	9.00	10.52
0300	28.33	9.00	10.52
0330	11.66	9.00	10.52
0400	11.60	9.00	10.52
0430	11.60	11.60	11.60
0500	11.60	11.59	11.59
0530	11.60	11.47	12.99
0600	11.60	9.00	10.52
0630	11.59	9.00	10.52
0700	11.60	9.00	9.00
0730	11.66	9.00	9.00
0800	11.66	9.00	9.00
0830	11.65	9.00	10.52
0900	11.66	11.55	11.55
0930	11.66	11.55	11.56
1000	15.72	9.00	10.52
1030	14.95	9.00	10.52
1100	21.81	9.00	10.52
1130	27.90	9.00	10.52
1200	33.89	9.00	10.52
1230	33.89	9.00	10.52
1300	33.89	9.00	10.52
1330	30.14	9.00	10.52
1400	15.72	9.00	10.52
1430	11.67	9.00	10.52
1500	11.62	9.00	10.52
1530	11.61	11.55	11.55
1600	11.61	9.00	9.00
1630	11.66	9.00	9.00
1700	21.81	9.00	9.00
1730	21.81	9.00	9.00
1800	21.81	9.00	9.00
1830	21.81	9.00	9.00
1900	21.81	9.00	9.00
1930	21.81	11.59	11.59
2000	21.81	11.47	12.99
2030	28.41	27.53	29.06
2100	35.71	27.53	29.06
2130	35.71	11.78	13.30
2200	35.71	27.53	29.06
2230	28.41	11.47	12.99
2300	14.95	11.47	12.99
2330	14.95	11.60	11.60
2400	11.61	11.58	11.58

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6780 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 28.04.97: Pool purchase price £/MWh	Final Prices for Trading on 31.03.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.60	7.00	7.00
0100	11.55	7.00	7.00
0130	11.61	9.00	9.00
0200	14.95	11.58	11.58
0230	14.95	11.47	13.24
0300	14.95	11.47	13.24
0330	14.95	9.00	10.77
0400	14.95	9.00	10.77
0430	14.95	9.00	10.77
0500	14.95	9.00	10.77
0530	11.59	11.55	11.55
0600	11.59	11.58	11.58
0630	11.61	9.00	10.77
0700	19.41	9.00	10.77
0730	22.67	22.65	24.42
0800	23.13	32.24	34.01
0830	34.42	32.24	34.01
0900	34.70	32.24	34.01
0930	32.58	22.65	24.42
1000	32.54	22.65	24.42
1030	26.76	12.25	14.02
1100	26.76	12.25	14.02
1130	34.82	12.25	14.02
1200	43.78	12.25	14.02
1230	43.61	12.25	14.02
1300	26.56	9.00	10.77
1330	26.26	12.25	14.02
1400	25.62	11.59	11.59
1430	23.62	11.59	11.59
1500	23.60	11.58	11.58
1530	23.60	11.58	11.58
1600	23.67	11.58	11.58
1630	25.75	11.58	11.58
1700	34.11	11.58	11.58
1730	34.01	11.59	11.59
1800	33.86	12.25	14.02
1830	26.60	9.00	10.77
1900	26.58	12.25	14.02
1930	26.58	9.00	10.77
2000	26.58	11.66	11.66
2030	12.01	41.52	43.28
2100	27.71	41.52	43.28
2130	57.78	12.25	14.02
2200	57.78	9.00	10.77
2230	33.34	11.61	11.61
2300	33.34	11.59	11.58
2330	19.33	11.56	11.56
2400	14.63	11.55	11.55

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6780 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Big pint disturbs the Emerald Isle

John Murray Brown finds Irish beer ads in ferment

It was one thing for Guinness Ireland to appoint a UK advertising agency to manage its account. But when Howell Henry Chaldecott Lury then set about reinventing Ireland's best-loved brand, it was not just the hurt egos of a few Irish executives that the company had to deal with.

As HHCL prepares its latest batch of the Big Pint advertisements, Tim Kelly, Guinness Ireland's marketing director, is the first to admit the public relations challenge. But as he explains: "They're judging us against what they think Guinness stands for and that's the very thing we want to change."

Any brand faces special challenges in its home market, and particularly such an institution as Guinness.

"There is an assumption out there that people actually own Guinness. I've never been in a country where the product is so close to the market," says Kelly, an Englishman, in spite of his name, who previously worked as marketing director at Unilever.

What began as a debate about the merits of a I£13m ad campaign, has become a microcosm of how the Irish perceive themselves, and how they are perceived. It highlights the tensions between the old inward-looking Ireland and the new self-confident Ireland.

The Big Pint campaign – with the line that it's bigger, blacker and better – is aimed at the 18-24 age group, in a bid to increase sales.

One poster ad in particular – the priapic promise of the "Size Matters" billboard, consisting simply of those words next to a giant pint of Guinness – has offended some Irish sensibilities.

The streetwise vernacular was just "too international" for others, leading to comments in the Dublin newspapers.

But this, says Satterthwaite, is to miss the point. The new Ireland, he says, is outward-looking, European and assertively international, and it is this that Guinness is tapping into – a generation familiar with the brand selling of Nike and Levis. "People probably wouldn't have given it a second look if it was not done by an English agency," says Pat Donnelly, managing director of All Ireland Media, a Dublin ad agency.

The streetwise vernacular of the Guinness ads has led to comments in Dublin's papers

Seamus Franklin, planning director of QMP, commends the ads for "their healthy disregard for the givens of Irish beer advertising."

Some have accused HHCL of undermining the brand. "Guinness is an icon as much as it is a drink. It's part of our heritage, part of what we are. To tinker with that does have negative vibes," says Michael Bowles, managing director of the Media Bureau.

Guinness today accounts for one out every two pints of beer drunk, and has a 90 per cent share of stout sales. Only the Germans and the Czechs drink more beer than the Irish. Yet while Guinness's share of the market remains strong, stout continues to cede ground to cider and lager.

Nearly four out of every five stout drinkers are now over 55, while in the young adult group – the growth segment of the market – the figure is 35 per cent.

In the five years to 1996, 95 per cent of Guinness Ireland's profits growth has come from exports, non-beer profits, cost reduction and pricing, rather than core volume growth. Kelly wants to reverse that, so that 60 per cent comes from core beer sales within 10 years.

"This is a completely new approach, which puts a huge onus on marketing as the prime driver," says Kelly.

In selecting HHCL, Guinness believes it has an agency which is innovative, with a track record of promoting younger products. HHCL was responsible for the highly successful launch of Tango fruit drink.

Kelly admits that he was also taken with the co-operative work style of the agency.

Kelly was also impressed by HHCL's total marketing concept, which it is not only about turning out television and print copy, but includes giveaway drip mats at student nightclubs, pint-shaped megaphones for fans at rugby internationals, and a carriage on the Dart (Dublin's commuter train) decked out with The Big Pint.

"Guinness certainly didn't come to us to get more of the same," says Satterthwaite.

Ad in the News • Umbro sportswear

Heroic failure at home in England

Commercials in ever-increasing numbers are designed to run across the whole of Europe or even the world. But the new one for the sportswear manufacturer Umbro is quintessentially English. So much so, it's difficult to imagine the ad working anywhere else.

It's a sunny winter's day, and excited crowds are seen making their way to football matches of varying fame, from an England international at Wembley to an amateur league game.

Unfortunately, as is so often the case with football, anticipation is the best bit. England lose to the Italians, leaving disconsolate both the superstar captain, Alan Shearer, and a small boy watching at home on television.

We next see the brilliant Brazilian Pele being hacked down repeatedly in a vintage match against Italy, before cutting to a non-league striker who can't get a pass from his team-mates, and who is eventually substituted.

The last scene shows a group of small boys on a housing estate having a kickabout. One tries an elaborate overhead shot, but only falls flat on his back, to the amusement of the others.

A question comes up on screen: "Ever thought of trying a different game?" "No" is the reply, "Neither have we. Umbro. Only football."

With football in a golden age – at the cash tills, if not on the pitch – marketers from Coca-Cola and McDonald's to Littlewoods and Nike are piling in to associate themselves with the game.

Some companies, of course, were always there. In the distant, murky days of the 1970s and 1980s, football was about standing on rain-swept terraces, hooliganism, dodgy perms, and players in ridiculously tight-fitting kit manufactured by Admiral or Umbro.

Those manufacturers who did not go under subsequently rode the rising tide of football fever following the 1990 World Cup.

As football became trendy, so did the kit – especially once clubs and manufacturers alike cottoned on to the potential which lay in ever-changing replica shirts.

During the last three years, the football kit market has increased 67 per cent from £60m ($97m) to £100m. Umbro is the clear market leader, largely because it has deals with Manchester United and England (in that order), as well as with other big clubs like Chelsea and Everton.

Umbro has evolved a clear marketing strategy over this period as the brand that really understands the game and the fans.

This ad is the logical conclusion of that thinking. It is about disappointment: the average football fan's most consistently felt emotion.

The commercial could never have been made by a Nike or Reebok. Wry self-deprecation is tailor-made for an English brand. (Imagine, for instance, trying to sell the concept of an ad that associated his product with failure to an American brand manager!)

The understated style of the film makes this brave gamble pay off. But then the English have always enjoyed heroic failure.

Stefano Hatfield

The author edits Campaign.


Disappointment is the football fan's most consistently felt emotion

A mission to make Europeans eat snacks

One of the pivotal players in the winning performance by English soccer star Gary Lineker for Walkers crisp advertising has a new goal: to encourage millions across western Europe to eat more snacks.

Three months ago Martin Glenn, formerly the marketing director of Walkers Snack Foods, was promoted to the newly-created post of commercial vice-president Europe, Middle East and Africa for Frito-Lay, PepsiCo's snack food business. In Europe alone, Frito-Lay's sales (which include Walkers) are about $2bn (£1.2bn) a year.

Without a global competitor in the salty snack market, Frito-Lay is seen by Wall Street as an important motor for growth in PepsiCo.

Western Europeans eat fewer snacks than PepsiCo's worldwide model based on countries' economic performance suggests they should.

The largest single country of possible growth is France, says Glenn. There, the relatively low proportion of women who have jobs means that meal times have remained more formal occasions than they have elsewhere. That is to some extent true for the region.

Glenn believes that all over western Europe there is a breakdown in formal meal occasions. "People have less time, and that gives a very big impetus to convenience foods, of which snacks are a part."

PepsiCo is trying to estimate how it has to adapt within Europe to suit each country. Managers in each European country remain responsible for the profits in those businesses. "I need to make things happen through local markets. We still want a strong local market presence," Glenn says.

Frito-Lay's organisation of its European businesses is led by customers.

Ensuring that the snacks are not broken and stale when they reach consumers means they cannot be made in a single location, and so the scope for saving is inevitably less.

Glenn estimates that by the turn of the century Frito-Lay brands in the salty snack category will look similar worldwide.

Doritos is the tortilla chip brand, and in most markets the potato crisp brand is already Lay's.

But local brands will remain where they are powerful, as Walkers crisps are in the UK.

Alison Smith

BUSINESS EDUCATION

How can a comedy act help train managers? **Della Bradshaw** tries to find out

Not the usual views

It may seem inconceivable that the impenetrable ISO9000 quality standard could be appraised in just nine minutes or that you could be taught to develop clear communications skills in just four. But with Mel Smith and Griff Rhys Jones in charge of training, many things are possible.

Like fellow comedian John Cleese before them, they are now big news in the video training market through their production company, PlayBack, founded a decade ago.

Their first productions were corporate videos for organisations such as the Post Office, but PlayBack has now made more than 50 general training videos, often using the "head-to-head" format popularised in the *Smith and Jones* television series. Now PlayBack has launched a CD-Rom, The Quality Programme, distributed by Training Direct.

"We wanted to develop ways in which we could use our skills to communicate and the way we work together," says Smith.

Smith and Jones, both dressed in pinstriped suits, though not the sort that would necessarily impress the City, feel their initial productions broke new ground in the way films were presented, largely because they ignored the standard topics – the "national curriculum" of training films.

"We tried not to do the 'genre' films at first," recalls Jones. "We didn't set out to be gurus."

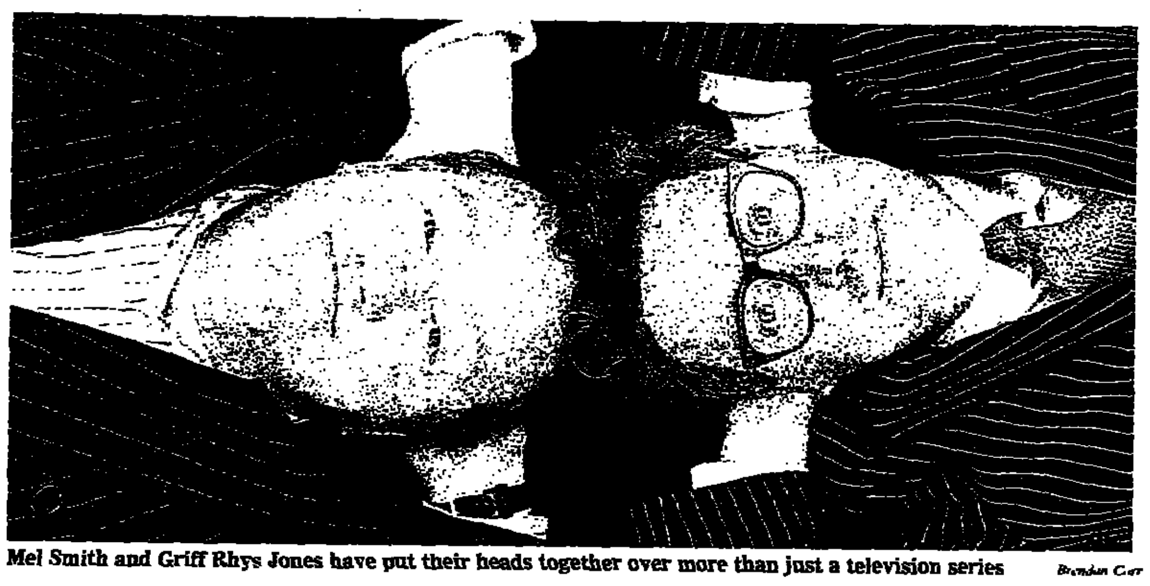
Instead they opted for "hunch" films, as Jones describes them. One idea was to make a series of very short films on issues such as listening or being prepared, but those have "not quite paid off," says Jones. "It's quite a sensitive market. Training generally reflects what people want to teach. If you have the best, say, teamwork film then you can corner the market."

That said, being successful is its own reward for Jones. "If you've made a hit you know because people buy it. After a while you know that's what you're chasing."

These days Jones professes himself wildly enthusiastic for the latest management trends, notably process re-engineering. "I told everyone from John Birt [director-general of the BBC] downwards about process re-engineering," he guffaws. "But I remain a prophet."

Much of the writing for the videos is done by Jones himself. "I'm a better training-film writer than a comedy writer because I'm inclined to analyse," he says. "The great comedy writers are anarchic, surreal." He cites Paul Merton as one of the best examples.

That said, the training market will always remain just a single strand of Jones's work, alongside television, stage, commercials and radio. As Jones puts it, "I find the idea of a serious comedian an oxymoron."



Mel Smith and Griff Rhys Jones have put their heads together over more than just a television series *Brendan Carr*

UK scheme makes a play for the big time

Della Bradshaw assesses the latest moves in the search for a European quality stamp

Amba, the business course accreditation body, has decided to go it alone in an attempt to establish itself as Europe's definitive accreditation body for MBA courses.

In a move revealed at the end of last week, Mike Jones, Amba director-general, said it was pulling out of plans to set up a joint accreditation scheme with the Association of Business Schools, the UK's business school trade body, which would have given all Britain's business schools a differential quality label.

Instead, Amba intends to plough ahead with its own scheme which gives only top-notch business schools the Amba quality stamp. Courses from 36 schools in the UK hold the accolade while 16 schools in Europe have Amba-approved courses.

Amba, which has been in operation for nearly 30 years, believes the big growth area will be in Europe, where a further 15 schools have already applied to be assessed. "We are the dominant accreditation body in Europe," says Iebe Ypma, chairman of Amba. "At the moment it's not an aspiration, it's a fact."

Further expansion into Europe could put Amba on collision course with the European Foundation for Management Development, which has been mandated by Europe's business schools to set up a Europe-wide accreditation scheme.

'We are the dominant accreditation body in Europe . . . '

Jones, however, argues that the foundation is following a different path, assessing entire business schools, not just MBA courses.

Moreover, it will take about two years to assess the first 10 applicant schools. Amba now assesses about one school a month but intends to beef up its operations to cut the waiting time for schools from 18 months to six months.

To do this Amba intends to increase the number of assessors on its accreditation board from 12 to 16 and to set up a separate accreditation wing. Fees will also rise, initially from £1,600 to about £3,000.

The terms of accreditation have also been altered, first to ensure they apply to all schools, not just those in the UK, and second to ensure that schools are revisited every five years.

Amba's decision to pull out of a joint scheme with the association is based on the response of Amba member schools, says Jones. A total of 41 per cent voted against the plans, including many of the UK's bigger schools. "The schools who give us the biggest source of student revenues were saying 'no'," concludes Jones.

Chris Greensted, association chairman, says he feels "great disappointment" at the termination of the joint scheme.

CONFERENCES & EXHIBITIONS

Travel News • Roger Bray

Taxi road rage

London Heathrow airport wants to stamp out abuses by taxi drivers asked to carry arriving passengers short distances from the airport. Drivers would rather make a £40 trip in to central London than a quick journey to a local office or factory. Why? So many of them use Heathrow that it can take up to two hours in its feeder park before they can pick up another fare.

The airport's management has already introduced a special short-journey ticket, which allows them to go back to the head of the queue if they can get to their destination and back in 30 minutes. But it says some are abusing this by transferring customers to other cabs just outside the airport. It also complains that some drivers are charging inflated amounts for journeys to nearby destinations outside the metropolitan area, where they are free to negotiate fares.

The core of the problem, it says, is that fewer than half the drivers using Heathrow make more than five journeys there a month, so it has circulated a consultation document proposing ways of cutting numbers – either by restricting drivers or by creating a financial disincentive for those making infrequent visits.

On the nose

Ask about the wine on a transatlantic flight from now on and you won't just be told it's dry, white and French. Cabin staff with the US giant Delta are being taught to recognise those underlying hints of lemon and blackcurrant. It has recruited an expert who will also help the airline choose wines which best survive the pressures of flight.

Delta will announce the move this week when it unveils changes in its north Atlantic business class service. The re-vamp includes upgraded seats, greater legroom and an enhanced meal service.

Sarajevo launch

The on-off saga of Crossair's proposed service between Zurich and Sarajevo appears to have been resolved at last. The airline plans to start flying the route three times a week from June 9.

Originally it hoped to launch flights to the Bosnian capital in time for last Christmas but it delayed the operation because of concern that inadequate infrastructure would cause too many flight delays.

Now, with an instrument landing system installed at Sarajevo's airport and Austrian Airlines already flying in Vienna, Crossair will operate there on behalf of its majority stakeholder, Swissair.

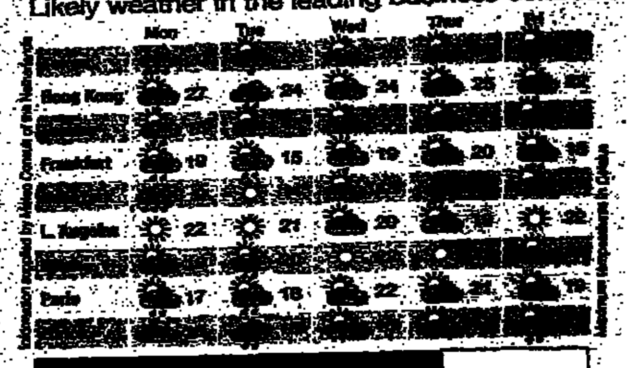
Cambodia's stars

Cambodia has its first five-star hotel. Inter-Continental has opened a 354 bedroom property in the capital, Phnom Penh. Room prices start at $120 (£74), but after a three-month introductory offer, the lowest published rate will be $170.

Terminal phase

Construction has begun of a new £24m departures terminal at Ireland's Shannon Airport, where you can clear US immigration and customs procedures before boarding your aircraft.

It should open for business in 2001, cutting the long walk between there and the arrivals building. By then, passenger traffic should have topped the 2m a year mark. The existing departures terminal, which opened in 1989, is one of the world's oldest.



Business trips are just too much like hard work these days, argues **Victoria Griffith**

Going gets tough

Business travel just isn't any fun any more. Consider the difference between two business trips. It's 1975, and Louis Hughes, vice-president of the computer group Graphic Systems, is flying to Japan.

Before take-off in Boston, he enjoys a leisurely meal at the airport's white-table cloth restaurant. According to company policy he's booked in economy, but the flight is less than half-full. Later, Hughes stretches out on a full bank of seats for a snooze.

He arrives on Saturday, and spends Sunday relaxing. During the week, he participates in meetings for about three hours a day. The rest of the time, he eats in upmarket restaurants; shops, and sees the sights.

At the weekend he takes off for Kyoto for a tour of the temples. He leaves with four rolls of film documenting the sights of Japan and a major business deal in his pocket.

Fast forward to 1997. Tony Mallows, a partner at the architectural firm Sasaki, is planning a four-day trip to check on a project on the Red Sea in Egypt. When a French client finds out he's heading east, he's asked to stop in Paris for the day.

He grabs a sandwich at the airport. Then, boxed into an economy seat and surrounded by a group of rowdy holidaymakers, he gets almost no sleep. In Paris, he goes directly to his meeting, only to return to the airport seven hours later and fly to Cairo. While waiting to board, he telephones for an update. After three days in Egypt, he returns home, exhausted.

"There's no question that business travel today is a lot more hectic than it was two decades ago," says Ron DiLeo of travel agency Rosenbluth International. "People have back-to-back meetings with no personal time, and you're expected to be in touch with the office the entire time you're away. When I'm on the road, I use taxi rides to make calls on my cellular telephone."

One indication of the rising stress of business travel is the rise in multi-leg journeys. Ten years ago, just 5 per cent of business trips included more than one destination, says Rosenbluth. Today, almost 40 per cent do.

Even the airlines cannot always keep pace. Executive charter service – for travellers who can't wait for a commercial flight – is booming. The change these hectic schedules have wrought in the hotel industry is obvious. The Ritz-Carlton chain reports that executive hotel stays are down to an average of 1.5 nights compared with three nights 15 years ago.

Chandeliers and soft music are considered expendable – executives will not be spending much time in the lobby anyway. Value is put on efficient fax and computer service. Jane Weigel of the chain adds: "Another big difference is that business travellers don't stay over the weekend. They go straight home."

Technology has augmented the pressure. Eric Benhamou, chief executive of 3Com, the computer networking company, says he checks his e-mail and voice mail at least twice a day when he is travelling, sometimes at 2am.

Once upon a time, business travel was so diverting that executives would take their spouses along for the fun. "I knew lots of guys that would cash in their first class ticket for two seats in economy and take their wives," says Hughes. "It was pretty common, and everyone had a good time. Now, you wouldn't want to subject your wife to the ordeal."

Growing pressure means that office trips, once considered a perk, are avoided by many. Executives have developed strategies to stay off the road. DiLeo says he favours day-trips, sometimes catching a 6am flight to be home by midnight: "At least I'm sleeping in my own bed." Mallows prefers to cram as many clients and cities as possible into each trip to reduce total travel time. Others opt out altogether.

"I know an architect who will only accept local projects so he doesn't have to travel," says Mallows. "It can be very tiring. But there's a lot of business in foreign countries. That's why we do it."

The decline of frills

Companies are spending more money on business travel but their employees are gaining little of the benefit as they continue to cut the costs of each trip, Scheherazade Daneshkhu writes.

Euromonitor, the London-based market research group, says that costs are being reduced through shorter trips. Business travellers are also holding back from spending a night in their destination to save on hotel bills. The main reason for the increase in corporate business travel spending is because of the rise in flight costs, according to Euromonitor.

Some companies are continuing to cut the number of trips their employees take as well as trading down the class of air travel. Carlson Wagonlit, the business travel agent, says that 35 per cent of UK companies questioned for its survey in January said that they had changed their policy to allow for a lower class of travel.

The number of companies willing to pay for long-haul business-class travel has been in general decline over the past three years, according to Carlson Wagonlit. There has been a corresponding rise in economy fares.

Most of those it questioned said they were prepared to travel on less expensive no-frills flights on short-haul routes, but wanted greater comfort on longer flights.

The latter wish appears not to be granted. The number of those flying in business or first class on long-haul flights dropped compared to last year, while economy class travel has increased.

But there is some room for optimism. More than two-thirds of the travellers questioned said they expected to make more business trips over the next 12 months – a 36 per cent increase from last year.

Much lost in translation

Amon Cohen on the business perils of foreign languages

Laughing at the failure of foreigners to grasp the finer points of English is a favourite sport of Anglophone travellers.

Before mocking, however, it should be remembered that English-speakers probably commit as many gaffes when what they write is put into other languages.

An example, in the latest bulletin of the UK-based Institute of Translation and Interpreting, is a letter from New Jersey's human services commissioner to thousands of Hispanics. A reference to a parole violator was rendered as *violador bajo palabra* which, any Spanish speaker will tell you, means "rapist under oath".

The letter appears to have broken the first law of translating: work into, not out of, mother tongue. ITI members are allowed to translate professionally only in this direction.

Yet nothing surprises Jane Hibbert of ITI. She once worked for a British company which had a tender document for an overseas contract in the language of the client.

"The company decided it did not need the entire document translated, but as a result it did not find out about half the specification," says Hibbert.

Bill Baston, British Telecommunications' translations unit manager, agrees that there is often a corporate blind spot regarding translations. "A lot of companies don't realise what translation involves. They usually build no time or budget for it into their projects."

The unit, which turns over 2m words a year, has four staff and calls on between 40 and 50 freelances. It tries to ensure that finished scripts are checked by at least one third party – the second law of translation.

Companies may prefer to use agencies, which will carry out the translation and have it verified. Jane Hibbert suggests that Latin languages and German cost between £35 and £60 per 1,000 words, eastern European languages £60 to £70 and Oriental languages, using special keyboards and typesetting, £80 to £100. Translating from these into English is about 15 per cent cheaper.

MARKETING / ADVERTISING / MEDIA

Wake-up for sleeping giant

Raymond Snoddy on Dow Jones's moves to boost its information services

Tomorrow Dow Jones will celebrate the first anniversary of the Wall Street Journal Interactive Edition with more than 100,000 subscribers.

The significance of the number is not its size, but the fact that unlike many information products on the World Wide Web, all the subscribers are paying customers – $29 (£18) a year for those who already take the paper version of the Journal and $49 for those who do not.

According to Ken Burenga, president of Dow Jones: "There are Journal readers who use it (the Internet edition) as a dynamic, continuously updated source, and there are pure electronic readers who use it as their primary electronic newspaper."

He is convinced the electronic Journal will complement and promote the "dead tree" version rather than replace it. So far 40 per cent of the subscribers to the Interactive Journal also take the paper version. There is considerable anecdotal evidence of electronic readers migrating to the paper Journal after being surprised by its range of content.

Although there are no precise numbers for crossovers, Burenga believes it is no coincidence that the paid circulation of the Wall Street Journal in all its manifestations is rising and is over 2m a day. And new subscribers to the Interactive Journal are coming in at the rate of "thousands" a week.

"We view the Wall Street Journal as a business information franchise and not a newspaper per se," says Burenga who is also chief executive of Dow Jones Markets, the financial information service which used to be called Telerate.

It is Dow Jones Markets rather than the development of the Journal which is posing the biggest business challenge at Dow Jones, which has decided to invest $650m from cash flow over the next three to four years to revitalise the business.

Last week, the specialist research company Market Data Industry told London analysts that last year Bloomberg had pushed Dow Jones into third place in the electronic financial information marketplace, although both are a long way behind Reuters in total revenues.

Burenga was put into Dow Jones Markets last July to turn the division round, although he insists there was a flattening of revenues compared with the recent past rather than a deep crisis.

He went back to basics and spent a long time talking to the chief executives of major customers on how they saw the financial markets developing and what information they wanted in future.

The chief executives were very bullish about the future of the financial services industry and forecasts suggested that financial institutions which used to spend about $4bn on information a year spent $6bn last year, a total that would grow to $10bn by 2000.

The chief executives were equally adamant they wanted to deal with fewer information providers – some dealt with as many as 400 in a year. "They wanted to deal with what they called a global full service provider," says Burenga. That meant all market segments covered worldwide with historic, real-time and analytical information.

Burenga was told that no company fitted the bill although Reuters came closest. Dow Jones Markets was seen as a giant that had been asleep. The question, says Burenga, was: "Is the giant going to roll over and snore or wake up?" The waking-up, he says, has already occurred and "quick-strike" teams are at work on six new products to launch this year. A joint venture with Primark in the UK is designed to strengthen the company's position in equities and commodities information.

But apart from expanding the breadth and depth of content, the heart of the $650m plan is to completely replace the page-based delivery system in the next 24-30 months.

Helped by an alliance with Microsoft, Dow Jones plans to move to an integrated, interactive system that will use Internet technologies such as browsers, though not the public Internet system itself.

Out will go the huge proprietary delivery systems and in future any subscriber to Dow Jones Markets will be able to pull down on a PC any information, whatever the product. And if customers do not want to use Microsoft operating systems, alternatives will be provided.

David Rydell: the third editor of Sunday Business

One year old – the Sunday miracle

In spite of its many difficulties, the Sunday Business keeps coming out

A remarkable event in the history of the British newspaper industry occurred yesterday. The Sunday Business celebrated its first anniversary – a milestone very few people gave it any chance of reaching.

The national Sunday newspaper devoted entirely to business and financial news has performed many great escapes in its short life – from managing to launch with scarcely any money to coming out of voluntary administration with an enthusiastic new backer, Gordon Brown, the Northern businessman who is chief executive of Group 2000.

Then, in December, Luke Johnson, chairman of the restaurant group Pizza-Express, took a stake in the paper and injected fresh money.

But the most remarkable thing about the paper was that it kept coming out in spite of the fact that resources were strained to breaking point.

David Rydell, the third editor so far, is allowing himself a little optimism amid the anniversary celebrations. Circulation, he says, has grown by 25 per cent since January and is now 60,000.

"We are on target to reach 80,000 by the end of the year," says Rydell, who has enough funds to add four writing journalists to the present tally of 15.

In addition, from yesterday, he has added specialist sections including expanded small business coverage, TV listings and IT and economics coverage.

The newspaper, in spite of much publicised staff changes, has a hard core of dedicated staff. "Yes, all took a 10 per cent pay cut in March but this will be repaid in June," says Rydell.

The Sunday Business concedes that there is still a degree of scepticism in the market about the paper and improving reliability is one of Rydell's aims.

"The paper has broken a number of important exclusive stories, not least very recently BT's tie-up with Portugal Telecom," says Rydell.

It also claims that this month it has moved into modest profit at the operating level.

Johnson, son of journalist Paul Johnson, is standing down as chairman of Sunday Business but insisted last week that he had no intention of selling his stake.

"My shares in Sunday Business are not for sale now, nor have they been offered for sale in the past.

"I believe that Sunday Business is a great product with a great future and I am proud to be part of it," Johnson said.

Raymond Snoddy

Thoma plays to 'rules of boulevard'

RTL continues to occupy pole position among German television viewers

True to his Viennese roots, Helmut Thoma is adept at using words to both flatter and criticise. Never more so than when the ebullient head of the RTL network is talking about his rivals in the highly competitive world of German commercial television.

Musing on the fortunes of his counterpart at another one of the big commercial networks which is seeing a dip in both ratings and profits, Thoma says: "The good thing about him is that he has a very clean and consistent record. He's never been successful."

Such comments have ensured Thoma regular coverage in the German press, but have earned the 57-year-old trained lawyer numerous enemies, even within CLT-Ufa, the Luxembourg-German company that owns the majority of RTL.

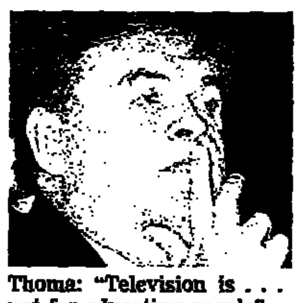
None of this seems to have had much effect on Thoma, who helped launch the network in 1984 shortly after the German television market was liberalised.

RTL, which continues to hold pole position among German viewers, has had about 17 per cent of audience share for four years. Last year the network had net advertising sales of about DM2bn (£700m) and pre-tax profits of DM144m.

This year the company forecasts 5 per cent growth in sales and profits of about DM150m.

RTL is now Europe's biggest commercial television network and accounts for half of the turnover at CLT-Ufa which has television and radio interests in France, Benelux, Scandinavia and central and eastern Europe.

In Britain, CLT-Ufa is one of the backers of Channel 5, the recently launched terrestrial channel in which Pearson, the owners of the Financial Times, also has a stake.



Thoma: "Television is . . . not for educating people"

Thoma had previously worked at RTL's radio division and in a CLT-owned advertising sales company.

Immediately after its launch, RTL was dismissed as a broadcaster of cheap and tacky programmes. The network's schedules included game shows in which contestants stripped off and soft-porn films set in the Bavarian hills.

Thoma was indifferent to criticism. What mattered was establishing a presence in the market. Only limited programming content was available as most of the rights to mainstream popular programmes were held elsewhere and Germany's own production industry was still too small.

The strategy was a commercial success. Within six years of going on air the network started making profits; 10 years after its launch RTL became the biggest network in terms of viewer share.

RTL has since taken on a more sophisticated hue with more news and current affairs and better quality entertainment. Thoma has increased the programming it produces itself.

Thoma remains loyal to "rules of the boulevard". "If you are financed by advertising you cannot do a niche programme," he says. "Television is a mass medium, not one for educating the people".

The immediate task is to consolidate the wider RTL family. Alongside the main RTL network, CLT-Ufa also has stakes in RTL2, Super RTL and VOX. The networks, located in different places, are run independently though they share the same name and, to an extent, the same shareholders.

The advantages of bringing together all the networks, with the possible exception of VOX, are clear, says Thoma. Some DM50m could be saved in overheads, while programming could be bought and scheduled centrally. Advertisers would be offered package deals spanning the networks.

CLT-Ufa will either have to buy out the other partners or offer them stakes in the holding company itself.

Frederick Stüdemann

Tips for the airwave Houdinis

The nightly Houdini-like escapes by electioneering politicians confronted by television interrogators suggest that, if nothing else, they have had valuable lessons in handling the media.

Television in particular is crucial to their prospects and the same is increasingly true for business.

"A TV appearance is a meeting with analysts, bankers, shareholders, the workforce, suppliers, customers, colleagues and your mother, all at once. No-one is a TV natural so training is absolutely crucial," says John Underwood, former director of communications for the Labour Party, now director of media training company Clear Communications.

A live set-piece confrontation with Jeremy Paxman or John Humphries is the least of your worries. "There is no case against you, no matter how clear, that cannot be muddied. You may require a little finesse in leaping from the question to your not necessarily related answer, but at least your task of keeping on message is tightly defined" says Underwood.

More difficult is the prerecorded interview. Here the biggest mistakes business people make are to talk at length, to be balanced and to be original, says John Stonborough, who trains mainly Conservative politicians.

"Business people still don't understand that the average news clip is 11 seconds long, which means that if you are lucky you have 30 words to get your message across."

Equally important is the need to avoid balance in your replies. "If you put both sides of a case, the broadcaster – not you – controls your meaning," he warns.

Sarah Dickinson, managing director of training company Electric Airwaves, advises business people to keep it simple: "Be available be clear, be informed, be confident and be honest."

Media training courses generally last one day and cost anything from £1,500 for a group of four from the same company to £1,000 for a half day one-to-one, depending on facilities used and the fame of the trainer.

Alex Benady

Tim Jackson

Family snap enters new era

This is not an article about digital cameras. But it is well worth explaining, as background, that during recent weeks the US technology press has been enthusiastically covering the latest generation of products which bring the price of digital photography down to $300 (£185) or less.

Makers claim the new cameras have two big advantages. One is the instant gratification of being able to see immediately how the picture looks, and try it again if it fails to please.

The other is the ability to manipulate and transport the picture more easily in digital form.

In the long term, I'm sure, digital cameras will replace traditional photographic developing. What is odd about these new cameras, however, is that for most users, their advantages are already available from existing technology.

The instant gratification feature has long been familiar to Polaroid customers: Polaroid cameras now cost less than $30 in the US.

As for the image manipulation part: that has now been delivered, in the analogue photographic world, by an imaginative company outside Washington DC called PictureVision Inc (*www.picturevision.com*).

Phil Garfinkle, 36, the company's CEO, started from a simple idea: taking the $45bn-a-year photographic developing and finishing industry, and adding value to it by letting customers use the Net to order reprints and photographic gifts, and to send photos to their friends and family – without having to go to the trouble and expense of replacing their existing equipment with a digital camera.

With Yakov Ben Yakov, a technologist who had worked on imaging for the Israel Defence Forces, Garfinkle spent a year developing technologies which have been marketed since February 1996 under the brand name PhotoNet.

When customers send a roll of film off to a lab, they can opt to pay an extra $5 to have the negatives scanned into a computer and then stored in digital form on the PhotoNet Web site.

That allows them to download low-resolution versions of the images, send them by e-mail to friends, and use standard PC image manipulation software to take out red eyes or smooth wrinkles.

The development lab will send a free "PhotoGram" to anyone the customer wants – a postcard, containing digitally generated thumbnail-sized contact prints, with a phone number allowing the recipient to order full-sized copies.

"Grandparents have never had it so good," the company's Web site claims.

The twist is that because the pictures are on the Internet, these products can be ordered by any friend or relative in the world who has the password relating to the specific roll of film – and the printing can be done at any shop in the PhotoNet system.

PictureVision takes a slice of each transaction. When a customer pays $5 to have a roll of film digitised, the development lab pays PictureVision 50-60 cents. When customers order reprints PictureVision also takes a percentage.

Garfinkle has extended his commission system to the software industry as well. Several software houses, including Microsoft and Adobe, have incorporated PhotoNet into their packages so that users can seamlessly download pictures from the Net.

The software houses pay PictureVision for the right to do this, then receive a commission every time a user downloads a picture.

The company seems to have found a way to make money from the transition from the analogue to the digital photography worlds – and to do so by helping the traditional development labs make money themselves as they move into uncharted territory.

In return for the money they invest in buying scanners and retraining staff, the labs get two new sources of revenue. One is the fee stream from customers paying their basic $5 for initial scanning – a high-margin service in an industry that is intensely price competitive.

And people who want their film digitised are more likely to order reprints, mugs and other merchandise.

Garfinkle claims that most labs receive reprint orders for 1-3 per cent of the films they process. His own firm boasts rates of 7 per cent, and 30 per cent in holiday seasons. Given that the scanning equipment starts as cheaply as $3,000 for a device that can process 20 rolls of film a day, it seems an attractive bargain.

The company also offers to store customers' own digital images on its Web site – though my own hunch is that many customers with digital cameras will also have their own Web sites.

The company's wider vision seems well judged. It claims that its network is dealing with 150,000 rolls of film a month. After an initial $6m round of funding from Oak Investments, Benchmark Capital, and Kodak's Aperture Fund, the company is now raising another $10m from private equity investors.

tim.jackson@pobox.com

The dirty little secret of strategy

A business guru explains his attempt to solve the mystery of how companies become revolutionaries

The business of corporate strategy seems to be making a comeback. For some years it was in the doldrums, dismissed by critics as the mere churning out of five-year plans, which were duly filed and ignored. Now many companies are thinking again.

Having spent years improving efficiency, they have become preoccupied with increasing sales. To do that, they need a clear description of where their business is headed; in other words, a strategy.

Gary Hamel is a prime beneficiary of the shift. For a decade until 1993, he taught strategy at the London Business School. In 1994, he and C.K. Prahalad published one of the best-known business books of the 1990s, *Competing for the Future*.

Hamel is now a guru. His price tag, according to one recent report, can run to $150,000 for two days' work.

Though Hamel still teaches at the London Business School, he moved back to California in 1993. "Silicon Valley", he says, "is a very good vantage point to see the future coming." He has also set up his own consulting company, Strategos.

As might be expected, Hamel makes grand claims for the strategic process. "New wealth creation", he says, "is almost always the result of industry revolution. That in turn is the result of strategic innovation. I am as convinced as I can be that the capacity for strategic innovation will be the next competitive edge for companies around the world."

In most industries in recent years, he says, most of the new wealth has been created by newcomers. "If you read about companies in the FT, you tend to see two kinds of stories: the revolutionaries who started with a clean sheet of paper, like Netscape or Ikea, and moribund companies like General Motors which are trying to catch up with someone else's future."

There is a snag. "We all know a strategy when we see one. We can look at Virgin Atlantic or Body Shop and say 'wasn't that a good idea'. In business schools, we pin those strategies to the wall like butterfly specimens and study them. But it's all after the fact."

In that respect, Hamel argues, the entire strategy industry is built on sand. "Companies don't produce strategies, just plans. No company will tell you its planning processes produce new wealth-creating strategies.

The Management Interview

Gary Hamel
by Tony Jackson

"The dirty little secret is that we don't have a theory of strategy creation. We don't know how it's done."

Logically enough, he has set himself to finding out. The issue is straightforward: how does a company become an industry revolutionary?

At this point, Hamel slips into lecture mode. Think in terms of four rules, he says: the conditions that have to be created to improve the odds of a wealth-creating strategy.

"First, create new passions. In the past, we've driven the emotions out of strategy. The field is dominated by people who trained as economists and engineers – the two disciplines which have the least grasp of what it is to be a human being. People like Richard Branson or Anita Roddick are driven by a deep desire to make a difference. They don't get up in the morning wanting to increase shareholder value."

Second, he says, new voices must be brought into the strategic process. "Companies miss the future not because they're fat and lazy – they mostly aren't any more – but because they're blind. They have too little genetic diversity. There's an old saying that land is a mystery to fish. By the time they find out about land, it's too late."

And of course, he says, the lack of genetic diversity is most acute at the top. "The pyramid in an organisation is typically a hierarchy of experience. What you need is a hierarchy of imagination."

That means involving more young people, and more people at the geographical periphery.

"Corporate imagination goes up with every kilometre you go from head office. People at the periphery have fewer resources, so they need to be more creative. And they're far enough away not to get stamped on when they try something original."

Third, companies must create new forms of conversation about strategy. "You need to create teams which are a deep diagonal slice across the organisation, cutting across the businesses, the hierarchies and the functions. Every place there are partitions, you need to get conversations across them. That's how you get ideas creation."

Finally, he says, companies need new perspectives. At any given point, every industry is governed by certain orthodoxies. New wealth is created by challenging them.

Take The Body Shop, he says. "One of the most fundamental orthodoxies in cosmetics was that women suffered from lack of self-esteem. Anita Roddick started from the premise that women already had self-esteem, and just wanted nice things to put on their skin."

Or take the way CNN exploited changes in regulation and technology to steal a march on the BBC in global news.

"One thing I've come to believe is that it makes no sense trying to predict the future. There is very little inevitable in this world. Microsoft and Wal-Mart did not have to exist. It's more a question of identifying the revolutionary portent of changes which have already occurred."

Behind all this is a recurring theme. Imagination, Hamel believes, is more widely distributed in organisations than top management generally allows.

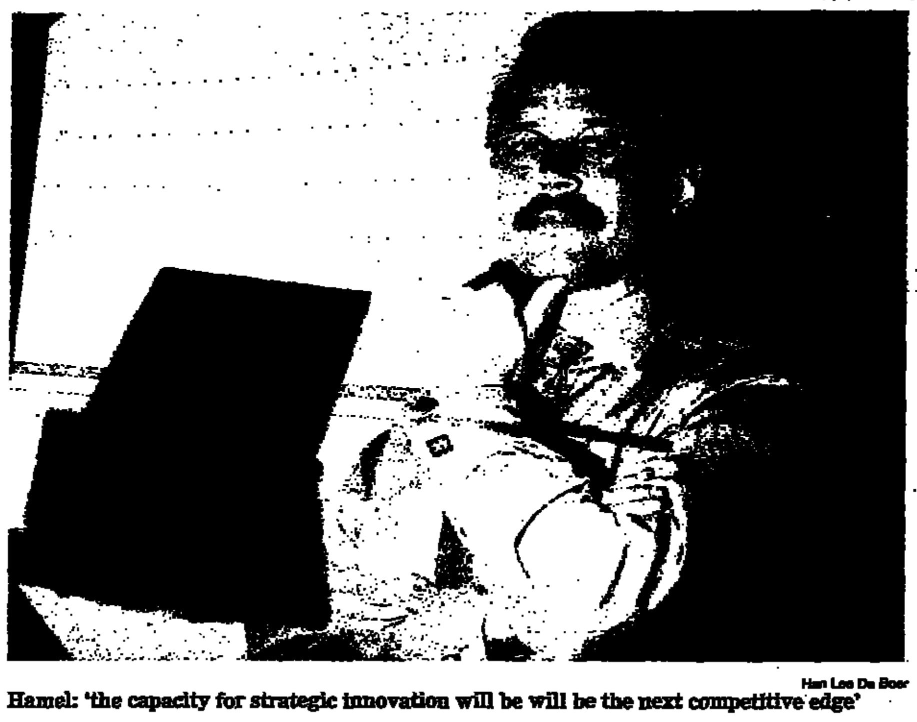
It remains management's job to bring ideas together; but it must renounce its monopoly on producing those ideas in the first place.

He draws an explicit parallel with the quality revolution of a decade ago. There, the old command-and-control approach to organising work gave way to a system involving input from the workers themselves.

Companies have come to recognise that workers have brains, he says. But they are still only applied to local tasks. They must be set to work on broader issues.

"The test for any company today," Hamel concludes, "is whether they can tell me the five fundamental ways they're going to change their industry in the next 10 years.

"If they can't, somebody else will."



Han Lee De Boer

Hamel: 'the capacity for strategic innovation will be will be the next competitive edge'

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com
Published letters are also available on the FT web site, http://www.FT.com
Translation may be available for letters written in the main international languages.

Conflicts prompt opposition to Premier Oil board re-election

From Mr Roland Shaw.

Sir, At the AGM of Premier Oil on Wednesday I shall be voting 2.77m shares against the re-election of W.S.H. ("Sam") Laidlaw as a non-executive director. There is nothing personal in such a decision. It is merely that Sam is also chairman of Amerada Hess, which holds 257m shares, 25.22 per cent of Premier's equity, and his presence on the Premier board, along with Amerada's other nominee, Mr Ian Gray, raises important conflict of interest issues. These merit serious consideration by investors, not only in Premier but in any company where a large minority shareholder may have corporate objectives vastly different from the rest of the shareholders.

Amerada is active in oil and gas exploration and production, the same activity as Premier and in a number of areas where Premier already has interests. The two companies obviously can have conflicting interests. Amerada's two directors must be privy to the confidential information regarding Premier's work, unless they step out of board meetings when such matters are discussed – in which case they can hardly contribute to the main business of the company. Buried at the bottom of the final page of Premier's annual report is a note about the number of transactions between Premier and Amerada with no indication how conflict of interest is avoided.

Additionally, Amerada is in a unique position to influence the market value of Premier shares. It could have plans to take over Premier and accordingly have a vested interest in keeping the shares at the present low levels prior to a bid for the company. Clearly the other shareholders would suffer as a consequence.

At the AGM on Wednesday, will Amerada be able to vote its shares for the re-election of Mr Laidlaw or is there a disqualifying conflict? At past annual general meetings something less than 17 per cent of the company's capital (excluding Amerada) was represented in person or by proxy. Perhaps shareholders do not care and perhaps this explains the wretched market rating (PER of 9.0 and P/CF of 5.1) despite its excellent 1996 results. Institutional shareholders in my view have lots to answer for to their investors for neglect of direct and overt attention to the management of businesses like Premier.

Finally, may I say the above is in no way an adverse reflection on Sam's skills and abilities for which I have the highest regard. After all, he headed my list of recommended chief executives for Premier five years ago.

Roland Shaw,
535 Kings Road,
London SW10 0SZ, UK

Way forward on Andean trade pact

From Mr Gustavo Aliaga and others.

Sir, We wish to say that Sally Bowen's article "Andean Pact begins to crumble" (April 23) seriously distorts the picture in two crucial ways, as regards both the recent past and the foreseeable future.

In terms of the recent past, Peru is portrayed as an advocate of sweeping trade liberalisation in the Andean community – even though its 15 or 25 per cent customs tariff, coming on top of an 8 per cent import surcharge, is way above Colombia, Ecuador and Venezuela's 11 per cent mean tariff rate, not to mention Bolivia's 5 and 10 per cent tariff levels. Our countries believe it is they, rather than Peru, that have been pushing for a more open competitive environment under both regional and international rules.

As regards the future, the way is now clear for the four countries, standing together, to move decisively in the direction of outward-looking regional integration, as was clearly stated at the Sucre presidential summit. In particular, this involves moving ahead with the current custom union long in force among the same four countries and fully completing the new Andean institutional framework agreed at Trujillo, Peru, in March 1996.

Among other measures pertaining thereto, the appointment of a new secretary general for the Andean Community, Mr Sebastian Allegrett, was cleared at Sucre, together with an aggressive and highly proactive work agenda.

Indeed, it is our hope that the new secretary general may soon come to Brussels to apprise the European Union of the positive regional integration steps that the four countries will continue implementing, right on course – and whereupon we all feel unequivocally bullish in the plainest, strongest, sense.

Gustavo Aliaga,
Chargé d'affaires of Bolivia,
Mauricio Villegas,
Chargé d'affaires of Colombia,
Alfredo Pinoargote,
Ambassador of Ecuador,
Luis Xavier Grisanti,
Ambassador of Venezuela,
Brussels,
Belgium

Personal View · The Most Rev Njongonkulu Ndungane

A jubilee celebration

The debts of the some of world's poorest nations should be written off as odious

As we approach the new millennium, the time has come to address the debt of the developing countries and invoke the Doctrine of Odious Debt.

This doctrine, which was first used almost 100 years ago by the US, argues that a debt becomes odious to the population of a state if it strengthens a despotic regime, or represses the population that fights against it.

The debts of developing countries which have arisen as a result of bad lending policies by the developed world should be declared odious and written off.

While the sums owed by poor countries are large, they are the small change of the international financial exchanges when measured against the capital that flows in and out of the City of London each year.

In any event the day will come, as Unicef, the UN children's fund, said two years ago, "when the progress of nations will be judged not by their military or economic strength, nor by the splendour of their capital cities and public buildings, but by the wellbeing of their peoples ... [including] the provision that is made for those who are vulnerable and disadvantaged".

The Church can identify with these sentiments fully, not just because these are good values and results to strive for. They are also consistent with the biblical vision of Jubilee – a world where injustices are set right and the terrible poverty portrayed on television and in the print media is diminished and, ultimately, eradicated.

As Deuteronomy puts it: "At the end of every seventh year you are to cancel the debts of those who owe you money. This is how it is to be done. Everyone who has lent money to a fellow Israelite is to cancel the debt; he must not try to collect the money; the Lord himself has declared the debt cancelled."

When a debt is so severe that the poor and their rulers are prepared to mortgage the very tools of their livelihood, a line must be drawn under it. The poor must – in partnership with all the interested parties – be helped from falling deeper into the abyss of debt.

The debt of developing countries should thus not be cancelled without establishing a mechanism for controlling debt in the future. Some principles are needed to determine future economic relations between the rich and poor, thus contributing to peace, stability and prosperity.

I therefore propose the establishment of a mediation council, with the responsibility of negotiating the repudiation of debts of developing countries. It should consist of four parties: an independent international body, established for the purpose; a similar regional body – in the case of Africa, for example, the Organisation for African Unity; the International Monetary Fund; and the country concerned.

In addition, I propose the adoption of the following principles:

- No country should be permitted to borrow more than a fixed percentage of its gross national product without first going to its people for their approval – for example by a referendum.
- No debt should be incurred for the purposes of military expansion or arms purchases of any nature.
- Should a country expand its armed service or military capacity to the detriment of the development of its people, the international community should immediately cease all loans.
- Preference in making loans should be given to countries which have demonstrated good stewardship in using their resources, involved their people in socio-economic development and built creative partnerships with foreign investors.
- Loans for health, education, social services, infrastructure and the like should be the priority.
- The rape of the environment or the denial of human rights by any country should disqualify it from receiving loans.
- A country which has shown a commitment to democratic government and regular free elections should receive preferential treatment in making loans.
- Countries receiving loans from any international financial institution or commercial bank should submit themselves to a strict monitoring to ensure debt relief is not used for military or other purposes that do not advance the socio-economic development of people.
- This monitoring process must ensure that where a debt has been cancelled, any provision made to service the loan is redeployed for the development of people and infrastructure.

The danger of such principles is that where a government ignores them and has its loan called in, it is once again the ordinary people who suffer the consequences. In such cases, the full weight of the mediation council and the international community should be brought to bear on the recalcitrant government in much the same way as the apartheid regime in South Africa was brought to its knees by international pressure.

Perpetuating the status quo cannot achieve the development needed in the global village in the next century. It will make poor countries poorer, and rich ones richer, with all the threats to world peace that this involves.

We must create models of hope that will give the vast majority of people in the world a new chance. We have a responsibility as we prepare for the next millennium to ensure that all people have the same opportunity to reach their full potential.

This is a *kairos* moment: we are at the doorstep of the next thousand years in the history of humankind. The opportunity to start anew must be seized with an act of immeasurable power and grace to reshape the world's economy.

In this way the third millennium can be a Jubilee celebration and the Risen Lord can help us understand his proclamation: "Behold, I make all things new!". He challenges us to join Him in bringing new life and new hope to a dying world.

The author is the Archbishop of Cape Town. This is an edited extract from his address delivered last week in Southwark Cathedral

Fergus Wilde

The archbishop: proposes a mediation council

ARTS

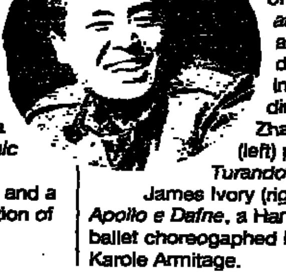
OPENINGS

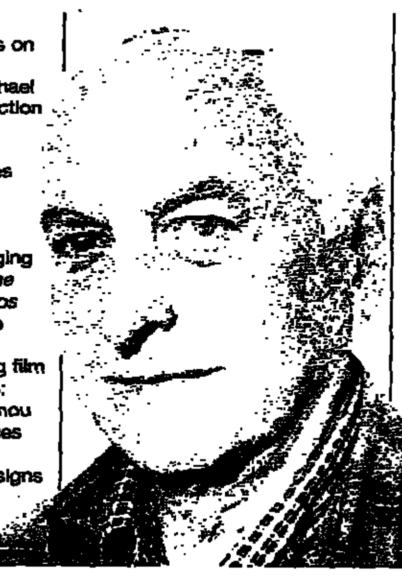
LEEDS
Paul Daniel's (right) last new production as music director of Opera North is *Tannhäuser*, which opens at the Grand Theatre on Saturday. It is directed and designed by David Fielding, and sung in English by a cast including Jeffrey Lawton, Rita Cullis and Anne-Marie Owens. After a concert performance at London's Royal Festival Hall on June 14, the production will tour to Nottingham and Manchester.

BERLIN
The 1997 Theatertreffen, Berlin's German-language theatre festival, opens on Saturday at the Schiller Theater with Odon von Horvath's *Casimir and Caroline*, one of three productions from the Deutsches Schauspielhaus in Hamburg.

Other highlights over the next three weeks include a staging of Corneille's *Comic Illusion* by young German director Stefan Bachmann and a Berlin Volksbuhne production of Zuckmayer's *The Devil's General*.

FLORENCE
The Maggio Musicale opens on Saturday at the Teatro Communale with Klaus Michael Grüber's Amsterdam production of *Parsifal*, conducted by Semyon Bychkov. The programme, which continues till the end of June, includes a Jonathan Miller staging of *Ariadne auf Naxos* and two debuts involving film directors: Zhang Yimou (left) produces *Turandot* and James Ivory (right) designs *Apollo e Dafne*, a Handel ballet choreogaphed by Karole Armitage.





NOTTINGHAM
Luc Bondy, internationally known director of opera and theatre, brings his francophone staging of Strindberg's *Playing with Fire*, starring Emmanuelle Beart, to the Nottingham Playhouse for three nights, opening on Election Night. This is the production's only appearance in Britain.

SCARBOROUGH
On Tuesday Alan Ayckbourn (below) launches his latest play *Things We Do For Love*, in the McCarthy auditorium of his new theatre: his first production to be premiered for a proscenium-arch theatre.

LONDON
Phyllida Lloyd directs a new production of Lorca's *Dona Rosita – the Spinster*, opening at the Almeida Theatre on Tuesday. The cast is led by Eleanor Bron, Celia Imrie, and Phoebe Nicholls.

NEW YORK
The New York City Ballet season opens on Thursday at the New York State Theater with a performance of Peter Martins' *The Sleeping Beauty*. Margaret Tracey is Aurora, Peter Boal her prince, and the Lilac Fairy is danced by Wendy Whelan. Subsequent programmes will include Jerome Robbins' recently premiéred *Brandenburg* (above).

Chekhov's coming home

Chrystia Freeland on an acclaimed British "Ivanov" in Moscow

The English Patient has not yet made it to Moscow's screens, but such is the power of Hollywood hype that even here in Chekhov-land the Almeida's production of *Ivanov* was feverishly awaited as, above all, a chance to glimpse Ralph Fiennes in the flesh.

In other circumstances, the London-based Almeida's decision to bring an English-language adaption of Chekhov's early play to Russia's most prestigious theatre might risk arousing local patriotic wrath. Moscow's soulful literati have been known to exhibit powerful territorial instincts, especially when it comes to the crude handling of their native cultural treasures by superficial westerners.

But these traditional quibbles seem to have melted away under the hot beams of star-power. Characteristic of the initial Muscovite reception was one high-brow local newspaper, which breathlessly reported: "Ivanov is the English Patient – in the Maly Theatre you have a chance to look at the living Ralph Fiennes."

On opening night in Moscow the living Ralph and a cast of equally vibrant colleagues turned out another sparkling, disturbing performance which has made the play the hit of the London season. Malcontents might carp that bringing the production to this glamorous hall nestling next to the Bolshoi Theatre is like bringing coals to Newcastle, but these days *Ivanov* is almost as rarely performed in Russia as in the west and tickets here were almost as scarce as in the UK.

The theatre-goers sufficiently lucky to get in formed a weird cross-section of contemporary Moscow. The Russians, who made up about half of the audience, were the intelligentsia, the sort of people Chekhov wrote his plays for and who have been faithfully watching and discussing them ever since. Once Russia's dominant figures, the hurly-burly of the post-communist transition has forced many of them out of public life, and their exile showed. With their moth-eaten, ill-cut brown Soviet suits and pasty complexions, these Muscovites are refugees from the "new Russia" of Mercedes cars, mobile phones and bodyguards.

The same could not be said of the sleek expats who flocked to one of the rare opportunities for English-language theatre in Moscow.

The flash-bulbs of Fiennes-frenzied foreigners were so disturbing that during the interval a Russian usher made a plea in careful English for a cease-fire. Three minutes later it was promptly violated. A threadbare, elderly Russian gentleman – clutching one of dozens of bouquets the audience had brought as gifts for the actors – could not restrain himself from fiercely muttering: "barbarians!"

But even the barbarians, if they'd been living in Russia long enough, chuckled at a few Chekhovian moments which may have seemed a bit less poignant in London. UK reviewers raved over the hilarity of a rollicking vodka drinking session enjoyed by Ivanov's uncle, his steward and his sweetheart's father. But did the British appreciate the profundity of the uncle's drunken observation that, "Man struggles up the lonely rock-face of evolution, but for all his ingenuity he invents nothing finer than the pickled cucumber"? Philistine nations, where vodka is sold by fashion models, may be unmoved; but in Moscow, where the metro is currently plastered with a minimalist advertisement campaign depicting only a pickle and a bottle of vodka, this counts as a truth universally acknowledged.

So too did the moment when Lebedev, Ivanov's neighbour and almost-father-in-law, begs his friend to repay a debt to his skinflint wife. When Ivanov replies that he has no money, Lebedev suggests he collect from his own debtors. It was an exchange that produced a breeze of wry laughter in Moscow, where, just as in the 19th century, the entire economy is trapped in a suffocating web of inter-company arrears.

Even the most horrible moment in the play – when Ivanov calls his dying wife, who has abandoned family and faith to marry him, a "dirty Jew" – has special currency in Russia. A new, and newly visible, gap between rich and poor has stirred up many of this country's ancient hatreds, including anti-semitism: "Dirty Jew" is a term that appears with alarming frequency on the hand-made protest banners and in the angry imprecations of the dispossessed.

But of course it is Ivanov, the play's languishing, depressed, destroyed title character, who most fascinates any audience, whereever it may be. Ivanov's anomie is part of a rich Russian literary tradition of superfluous men, modelled on an idle, bored aristocracy, and even today in Russia, sinking into an Ivanovian gloom remains a socially acceptable response to the pressures of daily life.

Alastair Muir

Star power: Harriet Walter and "the living English Patient" Ralph Fiennes

When the press secretary to a prominent Russian politician vanished from view for a few weeks last year, his explanation that he had suddenly been unable to do anything more than drink vodka, sleep and watch television met with understanding. Even Russian President Boris Yeltsin, who periodically disappears into prolonged seclusion, is commonly thought to have a touch of Ivanov. Given this heritage, it may seem surprising that, for all their appreciation of the English production, Russian critics felt that in Moscow *Ivanov* was a bit out of place.

"In Russia this play is never staged at a time of great national change. It is a play for times of stagnation, when you can focus on the relations between the individual and society," explained Professor Anatoly Smeliansky, associate artist director of the Moscow Arts Theatre and a leading drama critic.

Today, Smeliansky explained, Russians are so wrapped up in their own personal tragedies and triumphs and in their struggle to survive in the brave new world of capitalism that "Ivanov's complaints seem just funny."

Stepping out of the theatre into the crowd of desperate call-girls, self-important chauffeurs and bribe-taking policemen waiting on the streets outside, Smeliansky's comment seemed accurate.

But an enthusiastic older Russian couple, hobbling on their canes to the metro, found at least one parallel with their current lives. "You know that doctor Lvov," the wife said, referring to the hardworking, priggishly virtuous young zealot who torments the feckless Ivanov, "he's just like our young market reformers."

Opera in Toronto

Fresh look at Luisa and Lescaut

The Canadian Opera Company tends to offer its productions in pairs. The current season opened last autumn with two Richard Strauss favourites, *Salome* and *Elektra*. Then came a couple of French works, *Béatrice et Bénédict* and *Dialogues des Carmélites*. And now, at the season's end, it has been Italy's turn, with Puccini's *Manon Lescaut* and Verdi's *Luisa Miller*. The Puccini had been absent from the Toronto company's stage for over 20 years; the Verdi was a company premiere.

In the past, while scholars recognised *Luisa's* merits, the work was only sporadically performed, usually to allow a star to illustrate the rich, rewarding, if unfamiliar music. But now the work is gradually asserting its right to a more stable position in the repertory, and its success at Toronto's Hummingbird Centre confirms its power to please.

The staging had the advantage of being conducted by the company's artistic director, Richard Bradshaw – a Verdian of uncommon passion and intelligence, an interpreter who allows the music to live and breathe naturally. Under Bradshaw's lead, the orchestra outsmarted the tricky acoustics of the Toronto hall, and the singers sang without forcing.

The largely unknown cast proved exceptional. The young Russian baritone, Evgenij Dmitriev, in his North American debut, was particularly impressive in the profoundly human (and Verdian) role of Miller: loving father, honourable old soldier, defiant libertarian. Inevitably, Dmitriev looked young for the part, but he sang not only with beauty of tone and variety of colour, but also with dignity and authority.

More experienced, but also young and fresh, the soprano Marina Mescheriakova won an equal ovation for her Luisa, sweet and assured, capable of the most tender pianissimi and of fortes that were ringing but never shrill. The tenor Luca Lombardo acquitted himself well, though his light voice, compared with his colleagues, seemed overparted.

Thanks largely to budget considerations, the production employed recycled sets from a *Rigoletto* designed by George Tsypin, whose abstract shapes created a suitable mixture of rustic and regal, romance and menace. The staging by Paula Suozzi was also largely abstract.

Manon Lescaut, with scenery borrowed from Florida Grand Opera, was more traditional and less successful. The occasional awkwardness of the staging might have been overlooked if Maurizio Arena's conducting had been less rigid. Taken at a hectic pace, the reading left little room for expression, for chiaroscuro. Even the fail-safe Intermezzo missed fire.

Yet there was some excellent singing. Elizabeth Byrne, familiar to ENO audiences, suggested girlishness without being coy, pathos without simpering. Her Des Grieux, the Georgian tenor Badry Maisuradze, has a powerful voice, yet also sings tenderly: his appeal to the ship's captain would have won him passage on the most exigent vessel. Also deserving of mention are the veteran Cornelius Opthof (a stately Geronte) and the local discovery Anita Krause, who appeared briefly but tellingly as the Madrigal singer.

The COC shows pertinacity and acumen in seeking out young artists from far-off places, but it obviously does not fail to look in its own backyard. The young baritone James Westman, who sang comprimario roles in both productions, has just received a prestigious George London Foundation award.

William Weaver

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● John Mark Ainsley: performance by the tenor, accompanied by pianist Malcolm Martineau. Programme includes works by Brahms, Strauss, Britten and Hahn; Apr 29

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Rundfunk-Sinfonie-Orchester Berlin: with conductor Rafael Frühbeck de Burgos, tenor James Wagner and the Herren des Rundfunk-Chores Berlin in works by Brahms and Bartok; Apr 30

■ COPENHAGEN

DANCE
Det Kongelige Teater – The Royal Theatre Tel: 45-33-696969
● Royal Danish Ballet: performs Peter Martins' *Ash* to music by Torke, *Zakouski* to music by Rachmaninov, Stravinsky, Prokofiev and Tchaikovsky; and *Fearful Symmetries* to music by Adams; Apr 29; May 1

■ FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Wurttembergisches Kammerorchester: with conductor Jurg Faerber and pianist Martha Argerich performs works by Gluck, Beethoven and Bizet; Apr 29

■ GENEVA

EXHIBITION
Musee d'Art et d'Histoire Tel: 41-22-3114340
● Lumières de L'Orient chritien: exhibition of some 140 icons from the collection of the Lebanese collector Abou Adal; to May 4

■ GLASGOW

EXHIBITION
Hunterian Art Gallery Tel: 44-141-3305431
● The Age of Rembrandt: display of prints by Dutch and Flemish artists of the 17th century, selected from the Gallery's own extensive collection and including works by Rembrandt, Rubens, van Dyck, van Ruysdael and van Ostade; to May 10

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● MDR Sinfonieorchester and MDR Chor: with conductor Leopold Hager, soprano Hillevi Martinpelto, alto Dalia Schaechter and tenor Thomas Sunnegardh in works by Veerhoff and Beethoven; Apr 30

■ LONDON

CONCERT
Queen Elizabeth Hall Tel: 44-171-9210600
● English Concert Orchestra: with conductor Trevor Pinnock, soprano Nancy Argenta, mezzo-soprano Catherine Denley, tenor Rufus Muller and bass Brian Bannatyne-Scott and the Choir of the English Concert in works by Mozart and Bach; May 1

EXHIBITION
National Gallery Tel: 44-171-7472885
● London's Monets: exhibition gathering together paintings by Monet in London's public and private collections and featuring 25 works spanning the artist's career, from "La Pointe de la Hève, Sainte-Adresse"(1864), to the series of large "Water Lilies" painted after 1916; ends May 5

■ MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● Manuel Rivera: display of 59 paintings by the Spanish artist produced between 1956-1994. Rivera centres his work around concepts of space and light and the exhibition also includes two sculptures and 24 works on paper, all of which have never before been seen in public; to Jun 15

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Chamber Music Society of Lincoln Center: with conductor David Shifrin, baritone William Stone, pianist David Golub and organist Anthony Newman in works by Brahms; Apr 29

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Iris and B. Gerald Cantor Roof Garden: special open-air display of 20th century sculpture from the Museum's collection, installed in a roof-garden which offers spectacular views of Central Park and the New York City skyline; from May 1 to Oct 26
The Pierpont Morgan Library Tel: 1-212-685-0008
● Private Histories: Four Centuries of Journal Keeping: exhibition offering a rare opportunity to inspect the personal journals and diaries of various figures from the past 300 hundred years, including Albert Einstein, Sir Isaac Newton, Charlotte Brontë, Walt Whitman and Sir Walter Scott; from May 1 to Aug 31

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44781233
● La gourmandise: exhibition featuring works from the collection of the Musée National d'Art. Featured artists include Lichenstein, Doisneau, Brasso and Warhol; to May 19
Galerie Colbert Tel: 33-1-47038126
● Pascin gravi la nuit: the first retrospective of work by the Frenchman who began his artistic career as a newspaper illustrator. On display are about 100 works, including prints, engravings and illustrations with an additional display of works by contemporaries and associates, inlcuding Laborde and Grosz; to Jun 14
Musée d'Orsay Tel: 33-1-40494814
● Auguste Priault (1809-1879): Sculpteur Romantique: exhibition devoted to the work of the French sculptor, whose bronze and stone sculptures show influences of Realism and Romanticism. Included are portrait sculptures, sculptures inspired by literature and other objects; to May 18

OPERA
Théâtre de l' Opéra Comique Tel: 33-1-42444546
● La Dame Blanche: by Boieldieu. Conducted by Marc Minkowski, performed by the Ensemble Orchestral de Paris. Soloists include Ghylaine Raphanel, Gregory Kunde, Xenia Koncek and Steven Cole; Apr 29

■ STOCKHOLM

CONCERT
Stockholms Konserthuset Tel: 46-8-7860200
● Filharmonikerna: with conductor Petter Sundkvist and clarinetist Karin Dornbusch in works by Stenhammar, Wagner and Korsakov; Apr 28

■ THESSALONIKI

DANCE
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Medea: choreographed by Dimitris Papaioannou, to music by Koumentakis, performed by the Ground Team at the Association for Macedonian Studies; Apr 29

■ WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Six Centuries/Six Artists: exhibition highlighting major works by artists in the Gallery's graphic collections from the 15th through to the 20th centuries, including Martin Schongauer, Albrecht Durer, Giovanni Benedetto Castiglione, Frangois Boucher, William Blake and Jacques Villon; to May 4

■ ZURICH

EXHIBITION
Kunsthaus Zurich Tel: 41-1-2516765
● Das Capriccio als Kunstprinzip: display of Renaissance art featuring works by Lotto, Spranger, and Goya; to Jun 1

Listing selected and edited by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

FINANCIAL TIMES
Monday April 28 1997

Middle East economic summits face closure

By David Gardner in London and Francis Ghiles in Rabat

Morocco is poised to close the secretariat which oversees the US-backed Middle East and North Africa (Mena) economic summits in a diplomatic snub to Israel.

The secretariat was launched in Casablanca in 1994 to underpin the regional peace process. Its closure would be the most significant blow to Israel's credibility within the peace process since the 22-nation Arab League decided earlier this month to roll back diplomatic and commercial ties with Israel.

Moroccan officials say a final decision to close the Rabat-based secretariat has not yet been made, but is likely. "That is the feeling," said Dr Mostafa Terrab, its secretary-general.

The drive towards a regional settlement was halted by the election last year of Mr Benjamin Netanyahu as Israeli prime minister in alliance with extreme right-wing nationalists and religious fundamentalists. Mr Netanyahu rejects the land-for-peace deal struck by his predecessors.

The current deadlock started with Israel's construction of a Jewish settlement in occupied Arab east Jerusalem, which Palestinians regard as the capital of the independent state they expected from the 1993 Oslo accords.

Dr Terrab said: "We have no choice – you can't dissociate the economic process from the political realities on the ground. The principles agreed in Casablanca in 1994 are being thrown away."

Mr André Azoulay, senior adviser to King Hassan of Morocco, warned as early as last July that "any attempt to substitute the process of mere economic co-operation to the obligations inherent in a broader political process is bound to be widely rejected".

The Casablanca summit was greeted by Mr Shimon Peres, Israel's foreign minister at the time and subsequently prime minister after the assassination of Mr Yitzhak Rabin a year later, as "the birth of a new Middle East". At its follow-up in Amman in November 1995, US pressure led to the creation of a regional development bank.

But after Mr Netanyahu's defeat of Mr Peres, neither the bank, nor regional councils for business and tourism – to be in Cairo, Amman and Tunis respectively – have got off the ground.

The secretariat is the only institution keeping alive the "Casablanca process", designed to build cross-border business links between regional governments and the private sector.

Almost none of the projects have progressed because of the diplomatic impasse.

Zaire rebel leader in row on fate of refugees

By Michela Wrong in Kinshasa

Mr Laurent Kabila, Zaire's rebel leader, was yesterday under unprecedented western pressure to rein in his men, whose alleged atrocities against Rwandan refugees are blocking a negotiated end to the country's crisis.

In the eastern town of Kisangani, Mr Kabila, who is facing a growing furore over the fate of thousands of missing Hutus, demanded an apology from UN Secretary-General Kofi Annan for accusing his troops of deliberately allowing thousands of refugees to die.

Speaking at a news conference, he assured United Nations officials that he knew the whereabouts of the missing Hutus and gave the UN 60 days to organise their repatriation to Rwanda.

At the weekend, Mr Annan said "the slow extermination" of 100,000 refugees has seriously dented the international image of Mr Kabila's Alliance of Democratic Forces for the Liberation of Congo.

Meanwhile, aid workers are still being denied access by the alliance to areas where the refugees are believed to have fled after clashes with the rebels. It was not clear whether much-needed relief supplies would be allowed through.

Diplomats said the rebel leader's sensitivity to the wave of criticism might help Mr Bill Richardson, the United States UN ambassador and troubleshooter, who flies to Zaire today for last-chance meetings with both President Mobutu Sese Seko and Mr Kabila.

In Kinshasa some believe the time left for talking is fast running out. Despite denials by Angola's government that it has sent troops across the border in support of the alliance, there is growing evidence Luanda is helping the rebels open a western front.

Western powers are anxious for Mr Kabila to win control of Kinshasa as part of a negotiated settlement including provisions for eventual elections, rather than at the head of an all-conquering rebel force, answerable to no one.

IBM offers to cut prices in return for share of profits

By Nicholas Denton in London

International Business Machines is offering to drop its prices in exchange for a cut of clients' profits as it tries to prove the value of high-technology marketing programmes known as "data warehousing".

The computer company is a recent entrant in the fast-growing field of data warehousing and data mining, techniques which help companies exploit the information they have on their customers' behaviour patterns.

In one agreement, IBM has undertaken to rebuild a large US insurer's customer database for a cut-price rate plus up to 20 per cent of the revenues generated.

IBM, which is charging the insurer an initial $8m compared with the $20m its costs would ordinarily dictate, believes new data warehousing techniques can attract 300,000 customers, worth $12m a year, to its client.

The computer company has agreed to share risk and reward with three large clients since September.

"We are putting our money where our mouth is," said Mr Evangelos Simoudis, head of IBM's decision support solutions group.

The innovative data warehousing contracts are the latest example of the deepening involvement of computer services companies, such as IBM and Electronic Data Systems, in their clients' businesses.

IBM doubts, however, that its clients will in the long-term outsource the management of their customer databases. "As they become more familiar with these systems they will realise that they are giving the store away," said Mr Simoudis.

Data warehouses are electronic filing systems, many of which contain more than 1 terabyte of information, the equivalent of 300m pages of text.

They are then "mined" for customers' behaviour patterns, some of which are unexpected: one retailer discovered 82 per cent of motorcycle owners bought frozen seafood.

This analysis can help a company predict the likelihood of customers taking up a special offer, for instance, and the extent to which sales of other products will suffer or benefit as a result.

About 90 per cent of the largest 500 companies in the US have constructed data warehouses in the past two years but results depend heavily on the accuracy of the raw data.

At one bank which IBM examined, nearly half the customer records were either incomplete or out of date. "Our willingness to share risk is dependent on the quality of the data," IBM said.

THE LEX COLUMN

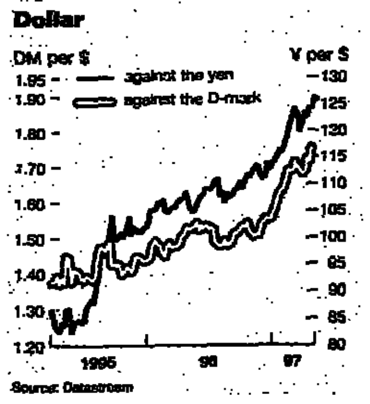
Debating the dollar

Dollar strength is making the Group of Seven leading industrialised nations increasingly nervous. Since they signalled three months ago that the US currency's two-year rise had gone far enough, it has gained another 4 per cent against the yen and the D-Mark. The G7's main fear is that, just as the dollar fell further than economic fundamentals justified two years ago, it might now be overshooting in the other direction. In addition, Japan is worried that yen weakness will reignite political problems over its trade surplus with America, at the same time as eroding the attractiveness of Japanese financial assets.

While that is leading to increasingly strident noises in favour of currency stability, particularly from Tokyo, the G7 has not, as yet, put any money on the table to back up such verbal intervention. If the dollar continues to rise it may have to rethink. But history teaches that even formal currency market intervention will fail unless it goes with the grain of economic events.

And events on the ground point unequivocally in one direction. The US economy is growing strongly; and the US Federal Reserve is in the early stages of a monetary tightening that could add another half point to short-term interest rates by the end of 1997. Japanese rates, by contrast, look bound to stay at record low levels to support domestic demand in face of this year's fiscal tightening. Meanwhile, continental European economies are using currency weakness to help export their way out of trouble. On all these counts, a strong dollar is likely to persist.

Dollar



Source: Datastream

Oil industry

When British Petroleum and Mobil launched their European downstream alliance last year, conventional wisdom had it that this innovative deal had little relevance upstream. That view now has a challenger, in the shape of Eni's managing director, Mr Franco Bernabe. The "federations" he advocates are essentially joint ventures; in particular areas control would rest with the most expert partner but others would participate in the risks and returns.

Hang on, some will say. Combining upstream operations is unlikely to deliver anything like the chunky benefits to be gained from rationalising cumbersome downstream distribution networks. True, but cutting costs is not the only way to create value. Consider, Mr Bernabe argues, the importance of knowledge and skills to an upstream business. In this respect, putting two operations together could produce more than the sum of the parts.

But even if sceptics, understandably, take some convincing, Eni's thinking has a more pragmatic appeal. It offers an obvious way for the company to cut its dependence on downstream businesses in Italy and boost its interests elsewhere, even if as little more than a passive investor. If Eni's ability to spot opportunities is any good, that is not necessarily to be sniffed at. But make no mistake: this is more like building an investment trust than a new international oil major.

C&W Communications

Cable & Wireless Communications flicks the switch on its stock market debut today. Should investors be switching on as well? Formed from C&W's Mercury subsidiary and three cable television companies, the group will be capitalised at nearly £4.5bn ($7.3bn). Add in £1.5bn of debt and CWC is being valued at more than eight times enterprise value to forecast earnings before interest, tax and depreciation. The average European telecoms company trades on 4½ times and even British Telecommunications stands below five times.

Of course, CWC's earnings will grow much more rapidly than those of a mature telecoms operator. Partly, that will come from loss elimination and tax benefits as its cable TV businesses turn profitable over the next few years. But there will also be cost savings, perhaps as much as £150m per annum, from cutting duplication between its four constituent parts. Longer term, CWC's prospects are trickier to gauge. In the group's favour are experienced management, good technology and size – with a 10 per cent share of the UK's £21bn telecoms market. Whether that, of itself, will help it improve penetration rates for cable TV and telephony, which have remained stuck at around 25 per cent, remains to be seen. First, the group will need to build a new brand name, having decided to ditch the old ones. Second, it will face challenges from BT, BSkyB's digital TV service and eventually digital terrestrial TV. There is scope to improve CWC's competitive position, by linking with an international telecoms operator buying another cable TV company, or adding a mobile service to its product offering. But for now, the shares look fully valued.

UK property

Institutions are running back to the UK property market. In the early 1990s, they got their fingers burnt when property prices slumped. Lumbered with unlet properties, they lamented the lack of US-style real estate investment trusts, offering easy, liquid and tax-efficient exposure to commercial property. But the tax breaks required are not on political agendas. So, an AXA Equity & Law report suggests, they are throwing caution to the wind and buying property directly again.

Rents are on the upswing and should grow more rapidly than dividends over the next few years. And yields on property are around 3 per cent higher than on equities, compensating for illiquidity and asset depreciation. Moreover, listed property companies are already trading at a 4 per cent premium to net asset value, anticipating property price rises. As property companies will capitalise on this by issuing more equity, that will absorb demand for property shares but increase demand for direct property. After all, companies will invest the proceeds of share issues and gear up on top.

So far, institutions have focused on shopping centres, where planning restrictions have created scarcity value, while buoyant consumer spending is increasing demand for retail space. This trend has further to go. But industrial property offers attractions to the contrarian. Yields are much higher and, in the right areas where new supply is scarce, demand should push rents higher.

$5bn plan for US sea base

Continued from Page 1

last one and a half years. Mr Per Herbert Kristensen, president of Kvaerner Maritime, said: "We have been successful in winning the project and we're now negotiating final contract details."

Boeing and Kvaerner issued a joint bid for the offshore base after working together on Sea Launch, the four-nation consortium currently building a $500m offshore satellite launching platform.

The command vessel and semi-submersible platform for that project are nearing completion at Kvaerner's yards at Govan, Scotland, and Rosenberg in Norway.

Mr Kristensen said technology developed for Sea Launch has enabled Kvaerner and Boeing to design a larger offshore air base.

If the US defence department approves the plans, Kvaerner would build the platforms in Scandinavia and North America; Boeing would supply the air traffic control and avionics systems.

Erbakan bows to the military

Continued from Page 1

included purges of Islamists from the bureaucracy, educational reforms and a crackdown on illegal Islamist organisations. The council warned of unspecified "sanctions" if the government did not implement these reforms and the weekend concessions are a result of that threat.

Analysts say relentless military pressure could still make the prime minister quit, either by forcing his conservative allies to leave the coalition or by splitting his Refah party of 160 MPs into moderate and hardline factions.

Two ministers from the conservative True Path party, the government's junior coalition partner, have resigned, accusing Mr Erbakan of undermining the secularist principles established 74 years ago.

Mr Yalim Erez, one of the rebels, said he intended to start negotiations today with other True Path dissidents and opposition parties to replace the government with a conservative coalition.

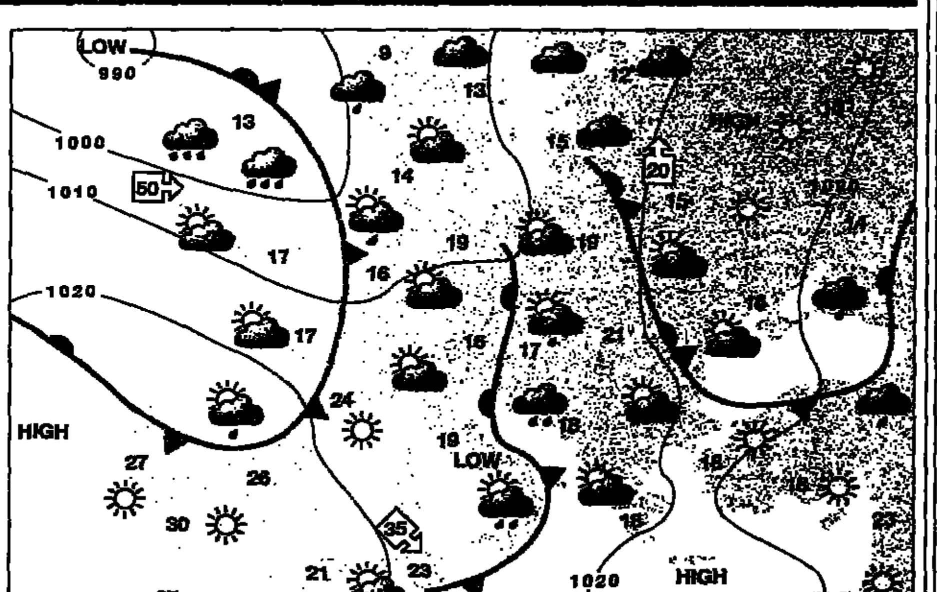
FT WEATHER GUIDE

Europe today

Southern Scandinavia will be mostly cloudy with some local light rain. A cold front will bring rainy periods to western Europe. Bright spells, a couple of showers and strong westerly winds will follow in its wake. Ahead of the front, central Europe will have mostly cloudy skies and a shower or two. Spain and Portugal will be sunny and warm, except for the northernmost areas. Similar conditions will prevail in north Africa. Heavy showers will occur over Italy and the western Balkans. The eastern Balkans have sunny periods. High pressure will promote sunny conditions over the Greek Islands, Turkey and the Middle East.

Five-day forecast

Western Europe will continue to be slightly unsettled and mild. Low pressure will bring rain to Scandinavia and the Baltic Sea area. Spain and Portugal will remain sunny and warm. A cluster of thunder showers will move slowly eastwards across the Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	cloudy 25	Caracas	shower 31	Faro	sun 25	Madrid	sun 28	Rangoon	fair 35
	Celsius	Belfast	rain 15	Cardiff	windy 15	Frankfurt	shower 19	Majorca	sun 22	Reykjavik	fair 9
Abu Dhabi	sun 34	Belgrade	cloudy 18	Casablanca	sun 22	Geneva	cloudy 19	Malta	fair 20	Rio	rain 28
Accra	shower 32	Berlin	shower 19	Chicago	sun 16	Gibraltar	sun 26	Manchester	shower 15	Rome	shower 19
Algiers	fair 21	Bermuda	sun 24	Cologne	rain 19	Glasgow	rain 13	Manila	cloudy 33	S. Frsco	fair 18
Amsterdam	shower 15	Bogota	shower 23	Dakar	sun 26	Hamburg	shower 18	Melbourne	sun 25	Seoul	cloudy 20
Athens	cloudy 19	Bombay	fair 34	Dallas	sun 29	Helsinki	cloudy 12	Mexico City	cloudy 28	Singapore	thund 32
Atlanta	rain 27	Brussels	shower 16	Delhi	fair 31	Hong Kong	shower 27	Miami	shower 31	Stockholm	cloudy 13
B. Aires	sun 20	Budapest	cloudy 18	Dubai	sun 34	Honolulu	sun 29	Milan	fair 19	Strasbourg	rain 20
B.ham	shower 17	C.hagen	cloudy 14	Dublin	windy 16	Istanbul	sun 15	Montreal	shower 10	Sydney	sun 24
Bangkok	fair 37	Cairo	fair 21	Dubrovnik	rain 16	Jakarta	thund 30	Moscow	fair 13	Tangier	fair 25
Barcelona	sun 20	Cape Town	sun 21	Edinburgh	rain 14	Jersey	shower 15	Munich	rain 20	Tel Aviv	sun 18
						Karachi	fair 35	Nairobi	shower 25	Tokyo	rain 20
						Kuwait	fair 34	Naples	shower 18	Toronto	fair 13
						L. Angeles	sun 22	Nassau	fair 30	Vancouver	rain 14
						Las Palmas	sun 25	New York	rain 9	Venice	fair 16
						Lima	sun 26	Nice	sun 21	Vienna	rain 17
						Lisbon	sun 27	Nicosia	sun 21	Warsaw	fair 19
						London	shower 18	Oslo	fair 13	Washington	rain 21
						Lux.bourg	rain 16	Paris	shower 17	Wellington	fair 12
						Lyon	cloudy 21	Perth	shower 22	Winnipeg	rain 20
						Madeira	sun 21	Prague	cloudy 17	Zurich	cloudy 16

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday April 28 1997

Policing the Euro-mergers

The agreement last week to give the European Commission greater powers to vet mergers with cross-border implications concludes a messy argument between the commission and member states, including the UK, France and Germany.

Last year the commission proposed changing the rules to give itself jurisdiction over mergers between companies with a combined turnover of Ecu2bn (£1.4bn) rather than Ecu5bn.

This proposal was based on the sensible view that large pan-European companies that wanted to merge should not need to put their case to up to 11 different national competition authorities. Companies wanted change, and those that have already come under the commission's jurisdiction have found its procedures efficient and fair. But some national governments were unwilling to cede powers to block mergers which might have adverse effects on their domestic market. Less creditably, politicians have sometimes wanted to retain power to protect national companies whose expansion might be frustrated by Brussels.

The compromise will give the commission authority only over mergers which would affect three or more member states, but the limiting size will be halved to a combined turnover of Ecu2.5bn. Although this will not cut bureaucratic obstacles as much as larger companies had wished, it goes far enough for the time being.

While providing a streamlined "one stop" procedure for big mergers on which the commission needs to take a view, the agreement also recognises the competing principle of subsidiarity: competition issues that mainly affect a national market are best judged by the institutions of the member state, and not in Brussels.

There may be exceptions to this rule. Last year, for example, the commission intervened to block a merger of Finland's two largest grocery chains which would have given the combined operation 55 per cent of the domestic market. However, the commission took on this case at the request of the Finnish competition authority, which lacked power to block the merger, and came up with the right decision. But it would be a bad precedent for countries such as the UK with effective competition laws.

The argument for greater consistency across Europe needs to be balanced against the need for accountability. That is what well constructed national institutions can provide. EU competition policy is subject to all the political horsetrading endemic to the commission. It needs to be limited to only those issues on which a Europe-wide judgment is really necessary

Co-op moles

Neither side has emerged with much credit from the saga of Mr Andrew Regan's manoeuvrings to take over the Co-operative Wholesale Society. The return of seven large boxes of confidential CWS information under a court order showed that there had been what the judge called "a gross, wilful and disgraceful breach of confidence." It also suggests the betrayal was on an extraordinarily large and systematic scale.

Two senior employees have been fired for what the CWS says is their part in leaking the documents. The Society has also launched a private prosecution against Mr Regan, Mr David Lyons, his business partner, and Mr Allan Green, the former CWS executive who admitted passing over confidential information. The Society says it will also pursue Mr Regan and Hambros Bank, his adviser, for damages. Although the decision to prosecute may have been motivated partly by a wish for revenge, it might throw light on an affair which raises disturbing questions about the conduct of the City. It was stated in the high court injunction hearing last week that Hambros passed WS documents to more than a dozen leading banks and financial institutions. Although we may have to wait for a full trial to learn who knew precisely what, it is already clear that a large number of very senior people saw copies of documents which were obviously red hot.

These papers were the basis of Mr Regan's plan, through the vehicle of Galileo, to exploit the assets of a poorly managed and badly performing organisation. So the CWS would hardly have sanctioned such disclosures.

Perhaps some in the City thought the CWS was fair game because it is not a company and this would not therefore have been an ordinary takeover. But that is mere sophistry. The City's name has been besmirched. It is right, therefore, that the courts should be asked to apportion the guilt.

But the CWS cannot afford to be smug in victory. An organisation which puts detectives on the tail of senior executives and then fires them for disloyalty should ask serious questions about its own style of management. The informers seemed to think that the assets could be better exploited by the commercial sector. The documents may have convinced the City. If so, the CWS management needs to do very much more than pursue its foes with whips.

If it wants to survive as a mutual society, it must become more accountable, more open and much less sluggish in reform. One response to Mr Regan's attentions was to create difficulties for anyone who wanted to become a new member. This was hardly the action of a management confident itself or of its right to stand aloof from the disciplines of the capital market.

Civic summitry

Americans are good at putting on shows. As de Tocqueville noted in his celebrated work *Democracy in America*, they are also good at volunteering. President Clinton's Summit for America's Future, now under way in Philadelphia, is a notably glitzy advertisement for both these qualities. With former general Colin Powell of Gulf war fame as chairman, and bi-partisan support from Republican ex-presidents Ford and Bush, this ambitious attempt to encourage corporate America to do its bit for needy children will have plenty of headline impact.

But could and should corporate America deliver? Some will no doubt argue that the job of companies is to maximise profits, not to engage in social work. And certainly the most constructive help that companies can offer to the young underclass is jobs. In recent years the US has shown itself much more capable on this score than Europe. There is even evidence in some US states that labour shortages are forcing companies to train the unskilled youths at the bottom of a very polarised labour market.

Yet companies cannot train youths who have already succumbed to hard drugs. And in the absence of more effective policies to curb drub abuse, and of a liberal supply of taxpayers' money, the case for enrolling voluntary corporate support for community work with the youngsters who are most at risk is powerful. Without such a comitment, shareholders will ultimately pay higher taxes to finance a larger prison population. Or they will foot the bill for increased crime indirectly via the increased insurance premiums paid by companies owned by their pension funds.

One merit of Mr Powell's preventive medicine is that the emphasis is not chiefly on throwing money at the problem. The focus is rather on using business volunteers as mentors for children from disadvantaged backgrounds. Recent research has shown that one-to-one mentoring can significantly decrease the likelihood of such people turning to drugs.

There are, then, plenty of good reasons for civic commitment to take a corporate form. And in both the US and Europe, companies that have been successful over the long haul have often been those with an unquestioning commitment to making a direct contribution to the communities in which they operate. Proponents of the narrow definition of shareholder value should remember that apparently costly 'responsible' corporate behaviour may be less costly than it looks. If companies fail to satisfy society's expectations of what constitutes decent behaviour, expensive laws and taxes will follow.

Adjustments to the bear

The troika at Russia's helm has made a promising start in the daunting task of completing market reforms, says **Chrystia Freeland**

Every winter weekend in Moscow crowds of charmed children can be found in the Tretyakov Gallery, gazing at Bogatyri, a 19th-century portrait of three mythical *bogatyrs* – battle-scarred heroes who patrol the nation's borders. The legendary troika is so beloved that the Mars company recently featured it in a television advertisement for chocolate bars.

But amid the grime, crime and corruption of modern Russia, real heroes have seemed much harder to find. Since the dismissal of the bold market reformers who took the country by storm in 1992, Russia has seemed doomed to languish in a limbo between communism and open, democratic and competitive capitalism.

This spring, however, the government underwent a radical facelift, bringing back a new and younger team of reformers. After a few weeks of watching the new cabinet in action observers have cautiously started to hope that the *bogatyrs* are back.

The new political team is led by President Boris Yeltsin, Russia's ageing colossus. A second driving figure is Mr Anatoly Chubais, one of two first deputy prime ministers and a perennial reformer who is both the nation's most talented administrator and its most loathed politician.

The third member of the troika is a new face – Mr Boris Nemtsov, who acquired a reputation for radical reform as governor of Nizhny Novgorod. He has left that secure job to take on what he calls the "kamikaze" post of first deputy prime minister.

With the grudging consent of Mr Victor Chernomyrdin, the Russian prime minister, the two new first deputies have outlined an ambitious reform programme. More remarkably, in the few weeks since the cabinet shake-up started early last month, the young reformers have won an impressive list of battles.

They have forced out corrupt or conservative officials and replaced them with their own allies and have started to chip away at the power of Russia's natural monopolies. They have weakened the ties between the government and its banker friends and defended the rights of minority, western shareholders in Russian companies against attempts to dilute their power.

This has been enough to raise hopes that, after two years of little economic progress, Russia is on the brink of a new wave of much-needed structural reforms.

"What we are seeing now is a really massive reform offensive," says Mr Anders Aslund, a senior associate at the Carnegie Endowment and a close student of Russia's bumpy economic trajectory.

Even more measured international financial institutions see glimmerings of a breakthrough. "I think structural reform had well and truly stalled last year," says Mr Vladimir Konovalov, chief economist at the World Bank mission in Moscow. "You've seen more action in the first three months of this year than in all of last year."

After five years of painful transformation, Russia can pride itself on what the International Monetary Fund praises as the "tremendous" achievement of economic stabilisation. A sweeping privatisation programme has transferred about 80 per cent of the economy at least partly into private hands.

But these wrenching changes have not yielded the ultimate prize of market reforms – growth. The economy contracted by 6 per cent last year. The usually optimistic Mr Konovalov concedes that so far this year "the best you can say is that it is bumping along the bottom."

Growth has been strangled by sectors of the economy still wearing their hulking, Soviet-era guise and by incomplete change in other areas where graft rather than competition has taken the place of central planning.

In the sober aftermath of communism's collapse, Russia's new leadership realises it will take decades to resolve these problems. But to make a start they are focusing on a narrower range of objectives:

- Breaking up and reorganising the natural monopolies.
- Limiting the opportunities for corruption.
- Restoring order to Russia's ailing public finances.
- Imposing the rule of law and a respect for shareholder rights in the country's still wild market.

Restructuring the natural monopolies is perhaps the most politically daunting part of the programme. The government has three behemoths in its sights: Gazprom, the natural gas producer; Unified Energy Systems (UES), the electricity company; and the national railway system.

Together they account for a huge slice of the economy, with experts estimating that Gazprom alone generates 8 per cent of Russia's gross domestic product. Moreover, inefficiencies in the three monopolies have pushed up costs for industry, making it harder for Russian producers to be competitive. And they are at the heart of an arrears crisis in payments between enterprises which has also infected the state – leading to huge delays in the payment of wages and pensions.

Each company is different and restructuring will be a complex, long-term endeavour. But the government has already made progress in opening the big three up to greater financial scrutiny and forcing them to offer consumers lower prices and the state greater tax revenue.

Gazprom, which is sometimes said to rival the Russian state in its power, has promised to produce up $1.2bn in unpaid taxes by June 10. It has also speeded ahead with internal restructuring plans to improve efficiency, lest change be imposed from above.

Even more radical change is expected at UES, where Mr Boris Brevnov, a young banker from Mr Nemtsov's Nizhny Novgorod, is shaking things up as vice-president. The old management had already pledged to cut industrial electricity tariffs by 13 per cent this year.

Corruption is a more shadowy enemy, but the new team has already made some public efforts to fight it. Laws have ended the cosy relationship between the state and "authorised" banks which handle federal government money, while a public tender system has been introduced for government procurement. There is a plan to require all officials to declare their incomes and those of their immediate family.

On the public finance front, the big battle is expected next month, when the cabinet is due to present parliament with a new mini-budget, severely slashed to reflect low rates of revenue collection. More important, the Kremlin has promised to pay delayed pensions by July and to make up back wages.

Independent economists doubt the state's ability to meet these ambitious targets. "While the government is unable to make good on more than 60 per cent of its current commitments, pledges to pay arrears accumulated in 1996 seem faintly ridiculous," says a report issued last week by Renaissance Capital, a Moscow-based investment bank.

But one thing the new government has in its favour is its coherence. In contrast with previous Yeltsin governments where reformers and reactionaries fought one another to a standstill, the current group is largely agreed on the basic issues of reform. They are also experienced in government.

Moreover, the president has found in Mr Nemtsov and Mr Chubais an effective combination of a talented "communicator" and talented administrator.

"Since 1992 in Russia there has never been a government which was sufficiently united in its efforts to reform," says Mr Mikhail Friedman, president of the Alfa Group, one of Russia's top conglomerates. "In the past, there were always two factions – sometimes one won, sometimes the other. As a result reforms were not conducted with sufficient consistency . . . Of all the possible cabinets they have chosen one of the optimal variants."

The only difficulty appears to be persistent talk of a seething conflict between the two young deputy prime ministers and their immediate boss. Mr Chernomyrdin has been something of a patron for the old Soviet industrial monoliths – in particular, Gazprom which he used to run.

For now, the three seem to work well together, and Mr Chernomyrdin sometimes even serves as a welcome ambassador to the communist-dominated parliament or the monopoly bosses. But many observers believe a showdown is inevitable as the pace of change accelerates.

"What we are seeing is a massive struggle between the true reformers and Chernomyrdin," says Mr Aslund of the Carnegie Foundation.

Even more formidable is the inertia of history and of institutions. Russia is a country with a feeble civil society and little tradition of the rule of law.

This weak historical fabric has been further strained by a public finance crisis which has created what Mr Michel Camdessus, managing director of the IMF, calls "a crisis of the state". Russia's guardians of law and order – police and tax inspectors – are forced to live off bribes rather than their unpaid salaries.

Obstacles such as these are reason enough for exhausted liberal Russian observers such as Mr Alexander Bekker, an investigative economic journalist who has been one of the best and most supportive chroniclers of Russian reforms, to doubt that the new team will succeed.

"It is very hard, they are not just fighting against a few natural monopolies – they are fighting against all of Russia's history," says Mr Bekker.

Russia's modern *bogatyrs* are undaunted. They are confident because their battle is against the red directors of the Soviet era, whose system has collapsed.

"We are doomed to success," says Mr Brevnov of UES. "Since all the good managers are on our side how can we fail?"

· OBSERVER ·

Leka hunts the throne

■ Albania's self-declared King Leka I is back after 58 years. Like the "kings" of Bulgaria, Romania and Serbia he would like his throne back, now that the Balkans has more or less abandoned communism.

Towering over his countrymen at 2.05 metres tall, Leka wears a Colt revolver in a shoulder holster and a moneybelt around his waist. He speaks an archaic form of Albanian with a clipped South African accent – he spent most of his life in Johannesburg selling "heavy port equipment" to the Middle East.

A passionate game hunter and collector of weapons, his colourful career included education at Sandhurst, expulsion from Spain and a brief spell in a Thai jail following what are described as "misunderstandings". He used to speak of a "Greater Albania" embracing ethnic Albanians in Macedonia and Serbia's province of Kosovo.

Now his message to adoring, Kalashnikov-firing crowds in his northern Albanian fiefdom – crowds in the south have been less welcoming – is one of "peace, unity, reconciliation".

Leka was just two days old when his father, King Zog, took the royal family into exile in 1939 after Mussolini's troops invaded. Now President Sali Berisha has promised to hold a referendum on turning the strife-torn country into a constitutional monarchy. Few believe Leka will win. Many Albanians accuse King Zog of being a thief and betraying them.

Should Leka ever sit on the throne, his wife would become the world's first Australian queen – Susan of Brisbane.

Bundesboots

■ Tired of feeling like poor relations in the new united Germany, the "osties" of the former communist east have grown used to watching well-heeled "westie" football teams carrying the German flag in European competitions. With many of the once-mighty names from the east not even in the top-ranking Bundesliga, they've had to watch from the terracings.

But now the whole of eastern Germany is getting behind a club called Energie Cottbus, a bunch of amateurs from a coal mining area who've made it into the German cup final next month in Berlin. They will play Stuttgart, a high–rolling club playing out of the impressively –named Gottlieb Daimler stadium.

If Cottbus wins – or if they lose but Stuttgart win the league and qualify for the European Champions League – they will find themselves in the European Cup Winners Cup; with it, comes the chance to play the continent's elite as the first club from the east to qualify for a European competition since unification in 1990. Let's hope they've got the Energie.

It's a gusher

■ It was a helluva weekend in Dubai. The Gulf state's month-long consumerist orgy – the second annual shopping festival – went out with a bang on Saturday, with a mammoth firework display and 5m coloured lightbulbs adorning the streets; shoppers splurged as stores offered discounts of up to 70 per cent.

The spending spree – all part of a promotional push intended to raise the state's tourist income to the same level as oil revenues by 2000 – saw eight tonnes of gold sold for some $87m. One lucky chap became the uncrowned king of Toyota, managing to win seven Lexus cars in a monster raffle at the end of the festival.

During the first binge last year, 1.5m visitors turned up to spend $800m. This time, it looks as though $1bn might be clocked up by the cash registers. As for next year, it's going to be even bigger, says Mohammad Alabbar, head of Dubai's department of economic development. Observer can't wait – though if he's got any sense, the bank manager might insist that you do.

No cream

■ Calling all big cheeses: maybe it's time to consider moving out of cheddar and into something tastier. It seems there's a glut of cheese in the US – one of the world's biggest consumers – where prices have just hit a four-year low.

They slipped another two cents to $1.18 a pound at the end of last week and some experts say there's worse to come. According to the influential Dairy and Food Market Analyst newsletter: "There is still a huge downward pressure on the market. Inventories are poised to reach record high levels later this spring and milk production continues to increase . . . demand is in the dumps."

Which strikes a rather sour note on which to mark the closure last Friday of America's National Cheese Exchange in Green Bay, Wisconsin. Trading promptly moves to a new cash market at the Chicago Mercantile Exchange on May 2. If prices go on collapsing, it could be a stomach-churning debut.

The Financial Times

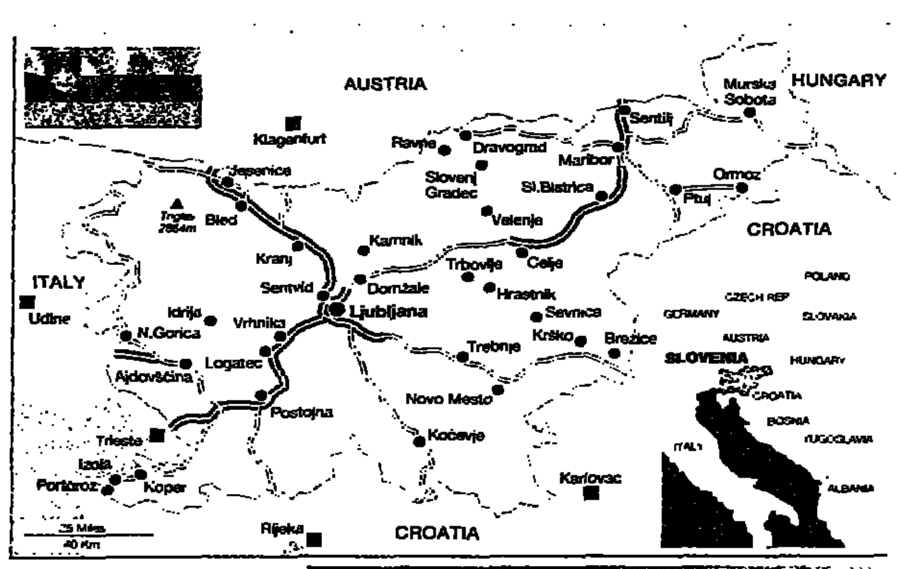
100 years ago

War Between Greece And Turkey
The outbreak of war between Turkey and Greece lends special interest to the monthly table of Stock Exchange values in The Bankers' Magazine. That table affords yet another evidence that in financial circles no fear is entertained of a serious sequel to this childish outbreak on the part of the Greeks. If there were any real apprehension of a European war involving any of the Great Powers, we should see at once a decrease in the value of British and Indian Funds. On the contrary, we find an increase.

50 years ago

Less Demand For Diamonds
New York, 27th April. There has been a falling off in demand for diamonds on the seven diamond exchanges which operate on New York City's Bowery. Representative members of these trading centres state that since the first of the year demand has turned spotty and that overall trade is down as much as 25 per cent from the level which existed at the end of 1946.

Aid For Italy
Washington, 27th April. The Italian Embassy here is unable to confirm a New York Times report from Rome that Italy plans to ask the World Bank for $1,000 millions.



- **Area:** 20,253 sq km
- **Population:** 1,989,477 (Official estimate, December 31 1994)
- **Language:** Slovene
- **Main towns & population** (1994 est)

Ljubljana (capital)	269,972
Maribor	103,113
Celje	39,782
Kranj	36,770
Velenje	27,113
Koper	24,595
Novo Mesto	22,610

- **Currency:** 1 Tolar (T) = 100 stotins
  Exchange rate:
  1996 average $1=T134.9021
  April 21 1997 $1=T155.3200

National legislature

The main legislative body is the National Assembly, with 90 members, directly elected for a four-year term. A Council of State, elected for five years, with the power only to delay legislation, has 40 members, 22 representing local interests, 12 evenly divided between employers, employees and the self-employed, and six representing non-economic activities.

Head of state

President Milan Kučan

Head of government

Prime minister Dr Janez Drnovšek

National elections

November 10 1996: next election due by November 2000

Sources: GZS; EIU; SKB banka; Nomura

Economic summary

	1996 estimate	1997 forecast
Total GDP, nominal ($bn)	18.5	19.1
Real GDP growth (annual % change)	3.1	4.0
GDP per head ($)	9,307	9,614
Inflation, (annual % change in CPI) [1]	8.8 [2]	7.4
Average monthly wages (annual % change)	15.3	11.7
Industrial production (annual % change)	1.0	4.5
Unemployment rate, (% of labour force) [1]	14.4	14.0
Broad money (annual % change) [1]	20.4	15.0
State budget balance (% of GDP)	-1.9	-0.7
Foreign convertible currency debt ($bn) [1]	4.0	4.8
Discount rate (%) [1]	10.0	9.5
Current account balance ($m)	46.5	10.0
Trade balance ($m)	-1,091	-1,100

[1] End period [2] Actual

Main trading partners (1996 preliminary)

Exports		Imports
30.6%	Germany	21.7%
13.3%	Italy	16.9%
10.3%	Croatia	6.2%
7.2%	France	9.8%
6.8%	Austria	8.6%

ECONOMY • by Kevin Done

A foot on the fast track

While battles lie ahead, the economy is in better shape than most in the region

The most prosperous of any of the transition economies, Slovenia stands the best chance of any of the former communist countries of closing the gap on living standards in western Europe.

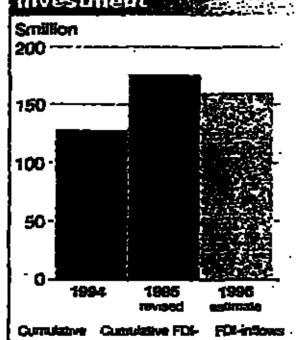
An appreciating currency and rising wages pose a threat to its international competitiveness, however, and the central bank is facing a tough fight to control what it regards as speculative foreign currency inflows, which are pushing up the money supply and which it fears could undermine its fight against inflation.

With income per head that already rivals those of Portugal and Greece, the least developed of the member states of the European Union, the country has been achieving steady growth since it passed the low point of activity at the end of 1993.

It has not matched the fast-track performance of some countries in the region, such as Poland, but growth of gross national product of an estimated 3.1 per cent last year following 3.9 per cent in 1995, 5.3 per cent in 1994 and 2.8 per cent in 1993, has allowed it largely to offset the contraction suffered during the first years of transition in the early 1990s.

The economy is forecast to grow by about 4 per cent this year.

Foreign direct investment



Cumulative FDI-inflows 1989-96 ($m)	Cumulative FDI-inflows 1989-96 per capita ($)	FDI-inflows per capita 1989-96 ($)
731	366	80

Source: Transition Report Update, April 1997

As the most advanced of the former Yugoslav republics, Slovenia accounted for a fifth of former Yugoslavia's output and for almost a third of its exports with only 8 per cent of the population.

Its underlying strengths have come to the fore in an economy, which is in better equilibrium than virtually any in the region. On the Maastricht criteria of budget deficits and public debt – though not on interest rates and inflation – Slovenia would qualify with ease for entry into the single currency.

The government's finances are in better balance than in any of the countries of central and east Europe. The budget surplus is equivalent to 0.3 per cent of GDP last year, and the current account of the balance of payment shows an estimated surplus of $46.5m in 1996 with strong tourism revenues offsetting the estimated trade deficit of $853m.

"Slovenia has the most impressive macroeconomic indicators of all the transition economies and is beginning to resemble its Alpine neighbours," says a report by IBCA, the European credit rating agency. "The main problem it faces, that of how to deal with short-term capital inflows and an appreciating exchange rate, is a result of success."

The challenge it must now confront, however, is to consolidate this position and to accelerate the reform process in order to lessen the rigidities in the economy and to develop its competitiveness.

Critics maintain that recent actions by the Bank of Slovenia to choke off certain capital inflows by tightening capital account controls will only exacerbate the underlying problems by deterring foreign investment, depriving the corporate sector of the cheap funds that are needed to modernise and to restructure, and will in the process hobble the development of the local capital market.

As the IBCA report also points out that "there is a need for further structural reform, particularly of the social security system. Privatisation has also been slower than in most other transition economies.

"Slovenia's economic inheritance with its preponderance of manager-employee-owned firms, may prove less efficient at generating growth and employment than more orthodox ownership structures," the report says.

The battle against inflation is a case in point, where tight monetary and fiscal policies have scored undoubted successes in bringing the year-on-year increases in consumer prices below 10 per cent, but where progress has stalled in the face of the slow pace of other reforms including widespread indexation through the economy, not least of wages and interest rates.

After the introduction in October 1991 of the new currency, the tolar, the high inflation inherited from Yugoslavia began to fall as a result of strict monetary policy.

The 12-month rate of increase fell from 92.9 per cent at the end of 1992 to 8.6 per cent at the end of 1995. In common with other transition countries in central Europe, Slovenia is finding it difficult to continue the downward trend, however, and last year inflation began to edge up again with a year-on-year rate in December of 8.8 per cent.

With its stubborn policy of steering monetary policy by targeting growth in base money, the central bank is walking a narrow path, and its further options appear limited, unless it receives help from the social partners in reining back wage increases and action from the new government to press ahead with structural reform.

Pay and conditions in Slovenia are still governed by a tripartite agreement between the government, the employers and the trades unions. To try to enforce greater discipline in forthcoming negotiations the government is proposing to set an example with a suggested freeze in the salaries of ministers, members of parliament and some senior government appointed officials until January 1998.

It is unlikely that such an approach will gain much support from the trades unions, however, which found the government ready to yield easily to wage demands during the election year of 1996 in the face of public sector strikes.

Mr Franjo Stiblar, professor of economics at the faculty of law in Ljubljana, says that wage rises as such did not pose a big challenge in 1996, as they were covered by increases in productivity. The main problem is that the starting point is too high as a result of increases in earlier years.

In several labour-intensive sectors Slovenia is no longer competitive with other transition countries in central Europe, where wages are only at 60 per cent of Slovenian levels.

Wages are still only a third of German levels, however, and it is with the countries of west Europe that Slovenia must now compete.

"Our only chance to survive is with very good quality, productivity and just-in-time delivery," says Professor Stibler.

"Then the Germans will come back [from low wage countries in east Europe] and say, okay guys, you are still better."

TRADE AND INDUSTRY • by Jack Grimston

Overseas sales become a priority

Exporters are trying to reverse their declining competitiveness in foreign markets

As Slovenian industry moves into the private sector, companies are turning their attention from internal restructuring to winning new export markets.

Of the 1,500 companies which entered privatisation in 1993, 1,000 had completed the process by April this year. Vouchers issued to Slovenia's citizens to enable them to buy shares in companies are valid until the end of June. "We expect to conclude the process of approving companies' privatisation this autumn," says Mr Joze Jaklin, deputy director of the Privatisation Agency, which administers privatisation. Only a few companies with major internal problems will be left, and some of these will probably have to go to bankruptcy."

The system of "social ownership" in former Yugoslavia, which allowed many companies to manage themselves, meant that the state was unable simply to sell off the industrial sector as happened in other east European countries.

Companies resented outside interference in their affairs. Strong political pressure led to a privatisation law in 1992 which allowed most companies to choose their own privatisation method. But large parts of the economy, such as infrastructure, electrical and telecoms utilities, major banks, insurers and troubled industries such as steel-making, were nationalised. No decisions have yet been made on how their eventual privatisation will be carried out.

But in manufacturing, nearly 70 per cent of companies are now owned by their employees.

Managers and workers were given the right to buy up to 60 per cent of their companies with a mixture of vouchers and shares. Outsiders – the general public and specially created privatisation investment funds – usually own the other 40.

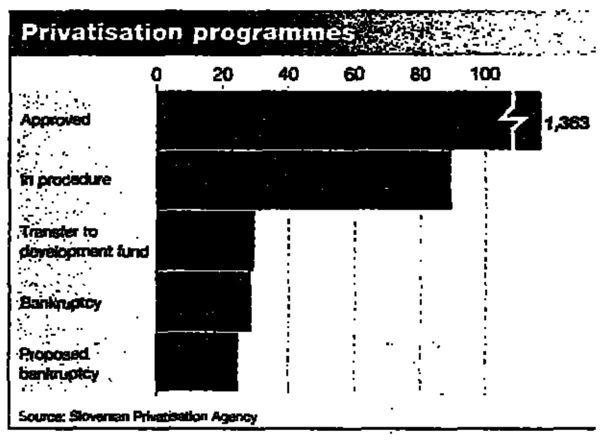
Among those that opted for a different method of privatisation are some of Slovenia's largest companies, such as the pharmaceuticals companies Krka and Lek and retailer Mercator. They now have tens of thousands of shareholders among the general population after opting for public sales of their shares. Their large fixed capital made them too expensive for insiders to buy, but most have kept decision-making in management hands.

Many of these managers are now worried. "After one or two years of believing that they were doing well, managers started to feel last year that they could not really get on their way," says Mr Franjo Stiblar, of the Economics Institute at Ljubljana University's law faculty.

Last year Slovenia's exports and industrial production were at a near standstill. There is little sign of new growth this year. More than half of company results so far announced for 1996 have shown a loss. A strong domestic currency and high taxes on salaries wiped out profits in many industries. Some of these loss-makers have been hit by a rash of strikes in 1996 and 1997 over unpaid wages and job cuts.

Labour-intensive exporters, such as textile and leather processors, have been among the hardest hit. IUV a leather-processing company employing 2,200 people in Vrhnika, west of Ljubljana, made its first-ever loss last year.

Privatisation programmes



Source: Slovenian Privatisation Agency

Many of these troubles stem from Slovenian companies' increasing exposure to global competition. With a domestic market of just 2m, most manufacturers must export to survive. The country makes a wide range of products, many of them such as pharmaceuticals and telecoms equipment, with high levels of technology and quality.

It also has experience in market economies, as Yugoslavia was much more open to trade with the west than other countries in the Communist bloc.

This, with the abolition by the EU of most duties on Slovenian products in 1993, enabled many firms to survive by switching sales to the west after the collapse of traditional markets in former Yugoslavia and eastern Europe.

The EU took about 65 per cent of exports last year, with Germany alone taking more than 30 per cent. But stagnant industrial production in the EU has damaged Slovenian firms as well.

They no longer have the fallback of the highly protected Yugoslav market, which took 40 per cent of Slovenian company sales in the 1980s. Customs barriers on the home market are falling as Slovenia moves closer to the EU. Tariffs are still high in a few sectors such as food production and some consumer products, but "our companies do not have much protection nowadays," says Mr Marjan Senjur, minister of economic relations and development.

Firms have been laying off workers in an attempt to revive competitiveness. Last year, employment in manufacturing fell by 7.5 per cent, helping productivity to rise almost as fast as wages. The government and employers are now negotiating with trade unions to bring wage growth this year below the rate of inflation, in contrast to last year's real growth of 4.8 per cent.

Many companies are now trying to revive old markets in eastern Europe where their brands are more familiar than in the west. In contrast to a fall of nearly 4 per cent in exports to the EU, sales to countries in former Yugoslavia and central Europe grew by 14 per cent.

Slovenia's two beer brands, Union and Lasko, are market leaders in Bosnia. Mura, a large textile company from Murska Sobota in eastern Slovenia, opened its own shop in Sarajevo last September. Krka has been one of the most successful companies selling to eastern Europe.

But the relative poverty of these countries and the difficulties of setting up effective distribution and payment there means that they will never replace the country's dependence on the EU.

As companies struggle to stay competitive, investment has begun to grow after falling away for several years after independence. This was one of the strongest parts of the economy last year, growing by 10 per cent, although government spending also played an important role.

"The question now is whether or not this economy is capable of private investment," says Mr Stiblar. "Is it western quality or not?"

Most investment up to now has been financed from companies' own funds, either depreciation of assets or savings accumulated while they were going through privatisation. Businessmen complain that bank loans are too expensive and long-term finance too difficult to find at home. Barriers set up by the monetary authorities make it hard to get foreign loans.

Another source of finance, Foreign direct investment has proved one of the toughest areas for Slovenian firms whose past success has made them keen to preserve their independence.

But the country has not been successful at attracting new investment. Much of the $2bn invested so far dates from before Slovenia's independence, when the domestic market was much bigger. Most of the remainder springs from long-standing supply contracts.

Mr Cveto Stantic, vice-president of the chamber of economy, the main business grouping, says the country should be more open to greenfield investment and joint ventures with foreigners. But he stops short of endorsing takeovers by foreign companies.

The government is making noises about the need for foreign investment, and has set up an agency to attract it. But, says Mr Jaklin, among the companies that chose their own privatisation methods, "foreign investors took controlling stakes in maybe three companies".

PROFILE Mercator

Pulling out all the stops

Mercator, the largest retail company in Slovenia, is in a race against time to reorganise and streamline its operations, before it encounters the onslaught of foreign competition.

The company, the fourth largest by market capitalisation on the Ljubljana stock exchange, has embarked on an ambitious restructuring programme to unify the group – a product of many mergers once consisting of a holding company and 51 subsidiaries.

It is pulling out of earlier joint ventures with Spar Austria to develop hypermarkets and supermarkets – formed before Slovenia gained independence in 1991 – in favour of expanding its operations under its own Mercator brandname, and has hired a group of former managers from Asda, the UK retail group, to assist in restructuring and help set up its own hypermarkets.

With a 17 per cent share of the retailing sector, chiefly in food, it is many times larger than its closest competitor (at 2.5 per cent) in what is still a highly fragmented market, but Mr Zivko Pregl, a former vice-prime minister of Yugoslavia who has been president of Mercator since 1993, believes there is little room for complacency.

"We must change Mercator in three years. If we don't we can be sure that Mercator will not survive. This is the time we have to mobilise."

Mercator has a turnover of DM1.6bn, of which 82 per cent derives from the food sector, and with a workforce of 9,000 it is the country's biggest private sector employer.

It cleared the country's lengthy privatisation process in October 1995 and has been quoted on the Ljubljana bourse's C market for unlisted securities since April last year. It is planning an ambitious expansion programme with the construction of new supermarkets and hypermarkets and the refurbishment of about 100 existing stores.

To help finance the project it raised DM140m last December in the first international syndicated loan arranged for a Slovenian private sector company. The funding has been arranged jointly by the European Bank for Reconstruction and Development and Union Bank of Switzerland. The syndicate banks include Bayerische Vereinsbank, Dresdner Bank Luxembourg, Kredietbank, Creditanstalt and Société Générale.

The EBRD is providing DM60m (with a nine-year maturity) and the international commercial banks DM80m (seven years maturity). According to Ms Noreen Doyle, EBRD deputy vice-president, the deal reflects the willingness of international banks "to accept, for the first time, long-term exposure to private Slovenian companies".

Since the beginning of last year the group has merged 28 retail companies into four and these are being merged into the parent company. Mercator still includes many operations not related to its core food retailing business, such as two hotels, eight food processing companies, an engineering business, a car dealership and several fashion shops, but these are to be sold off, says Mr Pregl. "We want to focus our operations and concentrate on food retailing."

Of its existing total of 789 retail outlets, about 40, selling chiefly textiles, are to be hived off into a separate chain under the name Modiana before probable sale.

As part of the restructuring the network of outlets is to be cut to about 700 by the end of the decade, but the group's overall sales space will be increased from 117,000 to 143,000 square metres, while the average size of outlet will rise from 140 to 205 square metres. The group's first hypermarket is due to be opened in the Adriatic port of Koper by the end of this year with the second scheduled to start up in Ljubljana next year.

Mr Pregl rules out expansion of its food retailing to the other markets of former Yugoslavia. Its food processing companies sell products in Serbia, Croatia and Macedonia and it is analysing the Serbian market as a potential supply source. "But we are not considering taking our retailing operations to these countries, first we must put our house in order in Slovenia."

The group doubled its net profit last year to about 600m tolars ($4m) from 264m tolars in 1995 (under international accounting standards) and it has set the goal of achieving pre-tax profits of about 3bn tolars ($20m) by the end of the 1990s. Mr Pregl expects a further 1,000 jobs to be cut during this period. "Increasing sales in a saturated market is difficult, so we must do a lot to cut costs."

Kevin Done

Slovenia

Joint architects of the country's transition to a market economy: Milan Kucan (far left), the president, and Janez Drnovsek (left), the prime minister

Doubts over its ability to stay on the fast track mean the new government must convince western observers reforms will continue, say **Kevin Done** and **Jack Grimston**

Watershed for the success story

Slovenia has been used to basking in the light of international approval, having emerged from the collapse of former Yugoslavia as the most prosperous of any of the former communist states of eastern Europe.

During the past year the plaudits have turned to brickbats in some quarters, however, as doubts have arisen both over its ability to stay on the fast track to reform and over its readiness to open its economy to foreign participation.

For some time, Slovenia has somewhat complacently, regarded itself as being at the head of the queue for entry to Nato and the European Union. Now some of its partners are expressing concern over its commitment to making the myriad changes needed to complete the institutional framework for a modern market economy.

An independent state for less than six years and with a population of only 2m Slovenia has achieved much.

It has reached a watershed in the transition process, however, and the caution and careful consensus building that have underpinned the early years of development of the state are being sorely tested.

For centuries a part of the Hapsburg-ruled Austro-Hungarian empire, it has put behind it its decades as part of Yugoslavia. Apart from 10 days of skirmishes in 1991 as it declared independence, it has avoided the conflicts that engulfed much of former Yugoslavia. It has sought to shake off its recent past as an unwilling adjunct of the Balkans in order to reclaim its place firmly in western Europe.

But there is a cost involved in joining European institutions, and Slovenians appear to be still uncertain about the price they are willing to pay.

The insecurity has crystallised most clearly in the long-running debate over whether foreigners should be allowed to buy property, but in recent months it has spread more broadly into concerns over foreign investment and anxieties over losing control over key sectors of industry and commerce.

As a small, open economy gaining about 60 per cent of its gross domestic product from exports of goods and services, the debate may appear a luxury the country can ill afford, but independence has been hard won and Slovenia is still working out its place in the world.

"Slovenia is a small country, and there is a fear that foreigners could buy the whole country," says Mr Janez Drnovsek, prime minister for the past five years. "Some political parties make capital from saying that foreigners should not buy companies and land, but we need openness and foreign investment that can contribute to our growth."

The country's ambivalence towards foreign participation in the economy has been highlighted not only by the debate over foreign property rights, which is at the core of parliamentary disputes over the pending ratification of Slovenia's association agreement with the EU, but also by recent actions taken by the central bank to curb foreign capital inflows.

The controversial moves by the highly independent Bank of Slovenia, whose institutional identity and attitudes are often compared with the German Bundesbank, have been justified on the grounds that the rising wave of capital inflows, in particular of foreign portfolio investment, was undermining the conduct of monetary policy.

Mr France Arhar, the conservative central bank governor, remains firmly wedded to targeting growth in base money as the cornerstone for running monetary policy – whatever the sometimes unhappy experiences of other western countries with such an approach. He has watched with mounting alarm the inflows of foreign exchange inflating the money supply, something he believes endangers the fight against inflation while forcing an appreciation of the currency, thus threatening the competitiveness of Slovenian exporters.

The introduction of expensive custody accounts and associated regulations has been effective for the moment in choking off the flow of foreign portfolio investment, but it has also had a dramatic impact on the fledgling Slovenian capital market.

Share prices on the Ljubljana stock exchange have dropped by almost a quarter in recent weeks and trading volumes have been depressed to almost a tenth of earlier levels.

These capital account controls, together with restrictions on some direct investments by non-residents, hardly present a picture of a country phasing out regulations in preparation for joining the EU and the Organisation for Economic Co-operation and Development.

In some ways, the problem of how to deal with short-term capital inflows and an appreciating exchange rate – Slovenia operates a floating exchange rate – is a result of the country's success.

Foreign portfolio investors undoubtedly were attracted by what appeared to be an undervalued equity market, but they were also drawn to a country with some of the most impressive economic achievements in the whole of central and east Europe. With A grade credit ratings awarded last year by all three leading international credit rating agencies, Slovenia is the highest rated country in the region.

It is the least indebted, it has resolved the problems over its share of the debts of former Yugoslavia, it has built up impressive foreign exchange reserves from virtually zero six years ago and has re-oriented its trade towards western countries and made up for the loss of its markets in former Yugoslavia and east Europe.

And yet in recent months Slovenia has stumbled, in the process tarnishing its previously positive image, undermining the confidence of foreign investors and begging questions about its future course.

"They are feeling their way," says Mr James Oates, director of eastern and central European equities at UBS, the Swiss bank. "When major international banks turn up there is not much understanding of what the international capital markets can do. They just have this fear of losing control, but without foreign investment the economy will lose impetus. Another couple of years of capital starvation and a lot of Slovenian companies will not be competitive."

International fund managers, angered by the abrupt introduction of the new capital controls and by the lack of warning, are voting with their feet for the moment, by staying away from Slovenia.

"The country has a small window of opportunity to consolidate the lead it has," warns one foreign banker, "but if foreign investors are to take Slovenia seriously, Slovenia must take foreign investors seriously."

The sense of drift has been heightened by the long months of political hiatus caused by the build-up to last November's general election and then by the resulting parliamentary stalemate, which took three months for Mr Drnovsek to break, before he was able to form his new government.

However, the resulting coalition between Mr Drnovsek's centre-left Liberal Democrats and the centre-right Slovenian People's Party led by the untried Mr Marjan Podobnik, a 36-year-old former agricultural engineer, combines the forces of the two largest parties – along with the small pensioners party – and appears surprisingly solid.

The process of breaking the political deadlock has shown Mr Drnovsek as the consummate political operator in Slovenia. It also bears testimony to the considerable background influence wielded by President Milan Kucan, who himself is likely to be returned with ease if, as expected he stands for re-election in the autumn. The two were the architects of Slovenia's independence, and symbolise an approach of continuity and careful consensus building.

"It was not easy," says Mr Drnovsek of the tortuous process of forming a new government, "but perhaps in the end it was the best solution for both sides, if we wanted a stable government. Now people think there is a good chance this coalition will last the whole of the mandate period."

There is much to do, and the new government has yet to prove its mettle, show that it can break the parliamentary logjam and begin filling the substantial gaps that remain in the country's legislative framework.

A host of measures are caught up somewhere in the procedure of government and parliament. These range from new legislation on the banking sector, takeover codes and privatisation to a new law on property ownership, which will also necessitate a change in the constitution, as well as laws on the privatisation of state-owned banks and the utilities including telecoms.

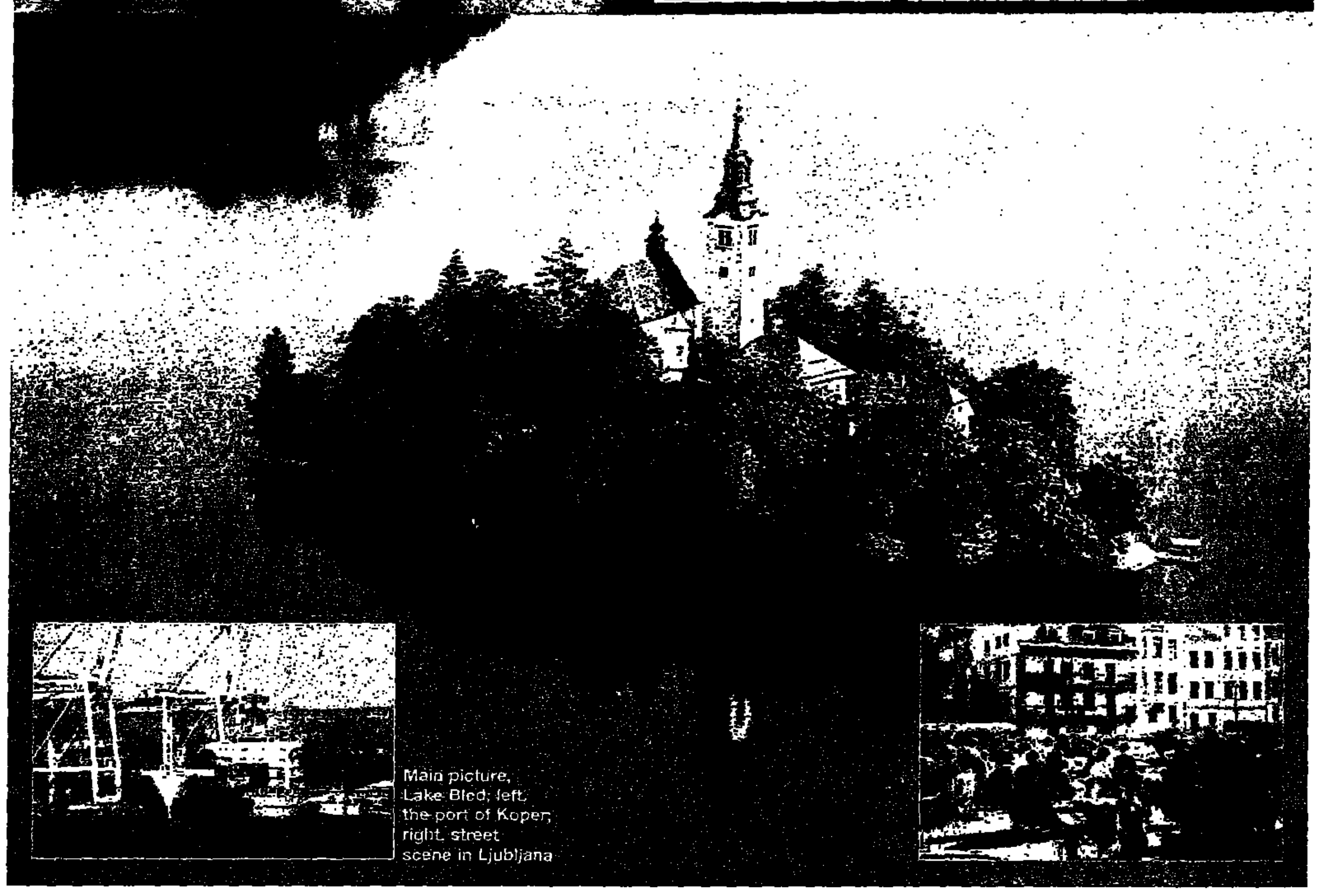
Tax reform is pending with the introduction of a value-added tax due for the start of 1998, and the need for further pensions reforms is becoming pressing.

The task of harmonising Slovenian legislation with that of the EU is immense, and EU officials are voicing loud concern about government delays and the way that the country is falling behind its rivals in central Europe in the race for early EU membership, with the most suitable candidates to be chosen later this year.

Time is also running out for the country's bid to be in the first group of states from east Europe to be accepted for membership of Nato, and the government has embarked on a bout of frantic diplomacy to try to overcome the growing perception that it has fallen behind the favoured trio of Poland, the Czech Republic and Hungary. New members will be chosen at the Nato summit in July.

It is a tough agenda, and the new government will have to move quickly to recover momentum and to convince western observers that it remains committed to the pace of reform and to continuing to open the country to foreign participation.

According to Mr Olivier Descamps, country director at the European Bank for Reconstruction and Development, the single biggest foreign investor in the country, "the verdict is entirely open on whether Slovenia stays the success story it has been till now."



Main picture, Lake Bled; left, the port of Koper; right, street scene in Ljubljana

IN THIS SURVEY

Editorial production: Sarah Murray

BANKING • by Kevin Done

Nearing a clean bill of health

Extensive restructuring has been a crucial step on the road to modernisation

In the next few weeks two of Slovenia's three leading banks are due to emerge with an official clean bill of health after spending more than four years undergoing extensive surgery and protracted convalescence in the state rehabilitation ward.

The successful completion of the costly restructuring of the banking system marks a watershed in the process of transition to a modern market economy and sets the stage for the next challenge, the privatisation of these two state-owned banks, which together account for about 40 per cent of total banking assets.

Preparations for privatising Nova Ljubljanska Banka, the market leader, and Nova Kreditna Banka Maribor have already been delayed, but with a new coalition government finally in place Mr Janez Drnovsek, Slovenian prime minister, says that the two banks will "certainly" be privatised "in this government period".

"Originally legislation was in our plans for this year, but realistically it will now be next year. We must discuss this with our coalition partner."

The two institutions will be privatised at a time when the banking industry is significantly improving its profitability, in line with the recovery and growth of the overall economy.

It is also a period, when the sector faces a formidable challenge, however, to rationalise in order to improve efficiency and to cut costs and reduce high interest rates in preparation for meeting the full weight of foreign competition. Current protective hurdles must be lowered or removed on the way towards membership of the European Union.

With about 30 commercial banks for a population of 2m it is generally accepted that the country is seriously overbanked.

However, to date there has been little progress by the bigger institutions to reduce the fragmentation of the industry in which at the end of 1995 the six biggest banks accounted for only 68 per cent of the market.

The majority of Slovenian banks are independent and concentrated in particular regions, where local loyalties are fierce and act as a serious impediment to restructuring.

Bank of Slovenia efforts to encourage consolidation in the sector have as yet borne little fruit.

Signs of concern for the health of some of the small and medium-sized banks emerged in the second half of last year with the collapse of the 12th largest bank in the country, Komercialna Banka Triglav.

"The collapse caused a big liquidity problem among the banks," says Mr France Arhar, governor of the Bank of Slovenia. "This was the first liquidation and bankruptcy of a bank in Slovenia ... We had a lot of problems especially with small and medium-sized banks. There was a fear among depositors that some of the other banks were in trouble."

Mr Marko Voljc, chief executive of Nova Ljubljanska Banka – still by far the country's largest bank despite the radical pruning of its operations carried out during rehabilitation – says that his institution is now ready for the fray.

With the Bank of Slovenia carrying out its final inspection, it is expected that corporate governance of the bank will be transferred shortly from the Bank Rehabilitation Agency to an independent supervisory board.

"We are now meaner and leaner. We are at the top of Slovenian banking with a growing, healthy core business. We are operating with lower interest margins but our return on equity is better," he says.

Overbanked: further rationalisation is needed Melanie Friend

"We do a lot of non-risk related business. We have built up a solid capital adequacy ratio from a position of negative equity in 1992 and we have met the targets of the rehabilitation process."

Mr Voljc says that it is still unclear what form privatisation will take. "The best chance is that we could have legislation by the end of the year and the process could then take 18 to 24 months."

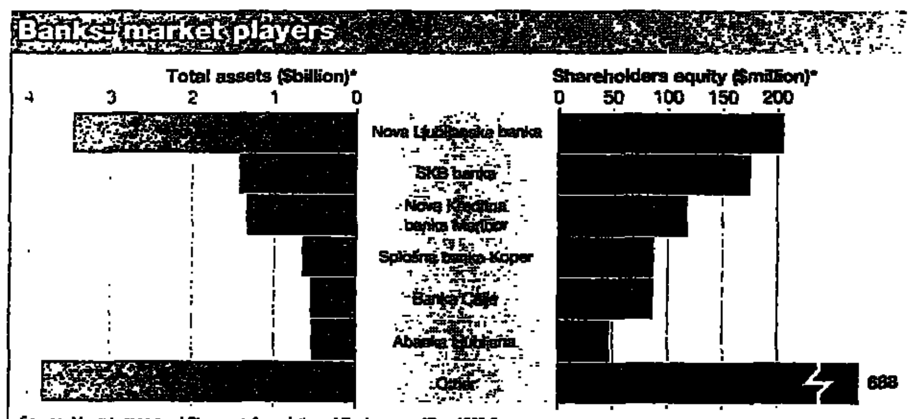
Present debate still covers the range of options from widely dispersed ownership through privatisation vouchers to a cash disposal in part to domestic and foreign institutional shareholders or to a strategic partner.

Mr Voljc's preference is that NLB "should remain a predominantly Slovenian bank ... I want an ownership that enhances corporate governance and strengthens the bank for the medium-term, as Slovenia enters the European Union".

He says he does not want the state to be the sole or dominant owner over a longer period of time, but he also insists that there is "no need for one dominant strategic investor. I would not be opposed to foreign institutional investors. An issue of global depositary receipts is possible".

The GDR route has been pioneered by SKB Banka, the country's second largest bank and the biggest private financial services group (pending the eventual privatisation of NLB). With a concerted strategy for growth and innovation the former specialist mortgage institution has moved up from eighth to second place in the industry establishing itself as a universal bank in the process, and demonstrating that the sector is ripe for change.

Banks: market players



Source: Monthly reports of Slovenian Association of Banks *Dec 1995 figures

PROFILE SKB Banka

Trail blazer rocks the market

SKB Banka is blazing a trail for the Slovenian corporate sector in the international capital market.

While many of the country's leading enterprises appear to regard the entry of foreign shareholders as a threat to their independence the country's second largest bank, in terms of total assets, has mounted a concerted effort to broaden its ownership base to include foreign capital.

In the process it has highlighted the price volatility and illiquidity of the Ljubljana stock exchange and has called into question recent Bank of Slovenia measures aimed at curbing foreign portfolio investments.

At the end of January SKB Banka, the largest private financial services group in Slovenia, (Nova Ljubljanska Banka, its biggest bank is still state-owned), became the first Slovenian company to gain a listing on international stock exchanges, when it completed a $28.1m global depositary receipt (GDR) issue with the sale of 19 per cent of its equity to new foreign investors. The GDRs are listed in London and quoted on Seaq International and in the last two months, trading has also begun in Munich and Frankfurt. The build-up to the launch of the GDRs and roadshows in the UK, the Netherlands, Germany, Austria and the US, helped to focus foreign interest on the Ljubljana exchange, driving up prices. The SKB Banka GDR issue was more than 25 times oversubscribed.

Some 1.3m GDRs, each representing 1/20th of a share, were sold in the issue – led by Nomura and co-managed by ING Barings and Deutsche Morgan Grenfell. The sale was of existing stock and did not raise fresh capital.

A further 10 per cent of SKB shares – held by Merrill Lynch and its clients (7.43 per cent) and by an individual foreign shareholder, Mr Boris Kosuta, (2.57 per cent) and arising from an earlier effort to bring foreign shareholders into the bank – were also converted into the GDR programme. As a result, 29 per cent of the bank's stock (113,100 of a total 390,000 issued shares) is now represented by GDRs held via the depositary bank, the Bank of New York.

In 1995 the European Bank for Reconstruction and Development and DEG, the German Investment and Development Company, acquired shareholdings in the bank of 15 and 5 per cent respectively – SKB is the only bank in Slovenia in which the EBRD has taken a stake – with the result that 49 per cent of the bank's equity is now held by foreign shareholders. Among domestic shareholders the largest is the city of Ljubljana with 5.1 per cent.

The GDR issue is being followed with close interest by other Slovenian corporations assessing the advantages of gaining greater global exposure for their stock, and it continues to come under close scrutiny from the central bank.

Under Slovenian banking law foreigners can only hold shares in Slovenian banks with the permission of the Bank of Slovenia, whose express approval had to be given for the 29 per cent of SKB stock – the shares underlying the global depositary receipts – to be held by the Bank of New York. As an additional safeguard under the bank's by-laws total foreign shareholdings in the bank are limited to 49 per cent and no individual shareholder can vote more than 15 per cent of the votes at a shareholder meeting.

The impact of the GDR issue has been great and has led to the creation of two separate markets for SKB Banka shares with the GDRs trading at about double the domestic share price.

The possibility of arbitrage between the Ljubljana bourse and the three foreign stock exchanges is effectively ruled out by the restrictions set by the Bank of Slovenia on foreign ownership of bank shares and the limitation set by SKB's own bylaws on foreign ownership.

At the end of January at the time of the GDR launch the SKB share price in Ljubljana was 58,750 tolars ($390.36) resulting in a GDR price of $19 (each GDR represents 1/20th of a share). The GDR price rose sharply after the issue and had stabilised by late April at about $35, equivalent to about 105,000 tolars per share.

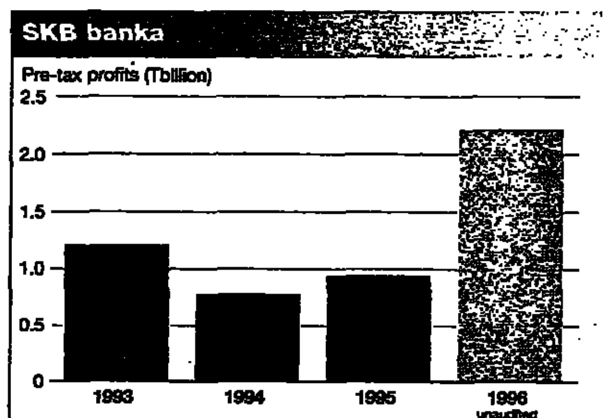
By contrast the SKB domestic share price initially rose to 74,172 tolars amid the euphoria of the GDR issue, but by late March had plunged to 48,023 tolars, as the Ljubljana market collapsed in reaction to the Bank of Slovenia measures taken in early February, effectively halting foreign portfolio investment.

The saga has shown how much remains to be done to develop the Ljubljana stock market and how great the price volatility can be on such a small, illiquid market. As the GDR prospectus warned, "the securities markets in Slovenia are substantially smaller, less liquid and significantly more volatile than established securities markets".

It has been a roller-coaster ride. From a low point of 23,000 tolars in the third quarter last year the SKB price more than tripled by early February to 74,000 tolars before falling to 48,000 tolars in late March. The regulations of the Ljubljana exchange provide for automatic suspension of trading in any shares listed when the price fluctuates by more than 30 per cent from the level at which a company has previously reported on its share price. With trading suspensions in October, January and March SKB has had to explain a lot in recent months.

Kevin Done

SKB banka



Shareholders on February 20 1997	Stake (%)
Global Depositary Receipts (GDR)*	28.99
The European Bank for Reconstruction and Development (EBRD)	15.00
Mesto Ljubljana (Ljubljana City Council)	5.10
DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH (German Investment and Development Company), Cologne	5.00
SKB's management and employees	3.19
Slovenske železnice Ljubljana (Slovenian Railway Company)	2.75
JP Energetika d.o.o. Ljubljana (Slovenian utility company)	1.73
Slovenski odškodninski sklad (Slovenian Restitution Fund), Ljubljana	1.37
JP Vodovod Kanalizacija p.o., Ljubljana (Water supply company)	1.31
Lek d.d., Ljubljana (Pharmaceuticals producer)	1.11

* The Bank of New York is the depositary bank for Global Depositary Receipts issued in 1997.

Shares held since October 16 1995 in the name of the American investment bank Merrill Lynch (7.43%) became part of the total GDR issue listed on the London Stock Exchange

Source: SKB banka

THE STOCK EXCHANGE • by Kevin Done

Foreign surge choked off

The Bank of Slovenia has seen currency inflows as a threat to its monetary policy

The wheel has come clattering off the bandwagon of the Ljubljana stock exchange in recent weeks, as tough moves by the central bank have led foreign portfolio investors to desert in droves.

Becalmed at a low level last summer, the market had been making impressive gains with two big advances – first in late September and again in January – with prices rising by more than 80 per cent since August.

The rise was driven largely by interest from abroad, as for the first time since the Ljubljana bourse was established in 1989, foreign investors found both an appetite for Slovenian equities and a growing supply of attractive stocks, as more newly privatised companies listed. As prices rose sharply domestic investors joined the party, pushing the stock exchange index to an all-time high of 1,655 in early February.

The mood of celebration was not shared by the Bank of Slovenia, however, which watched the surge of foreign portfolio investment with growing alarm.

The central bank became convinced that the strong inflows of foreign currency posed a serious threat to its conduct of monetary policy. The bank argued that money supply growth was jeopardising the fight against inflation, while upward pressure on the Slovenian currency, the tolar, was undermining the competitiveness of export industries.

It decided to apply the brakes and issued a regulation ordering that non-residents conduct all portfolio investments through custody accounts established at 14 authorised domestic banks. The unwelcome impact of the measure came, however, with the added stipulation that custodian banks had to treat such investments as part of their own foreign exchange exposure, which had to be balanced with equivalent foreign exchange reserves.

The intervention provoked initial confusion in the market, but as the domestic banks pass on the costs of implementing these measures it has become clear that it has added 10 per cent to 15 per cent to the annual cost to foreign investors of holding shares on the Ljubljana stock exchange.

The move has provoked anger among foreign portfolio managers and brokers. By late April it appeared that there had still been no takers for the costly custody accounts offered by the Slovenian banks with foreign investors preferring to ignore Slovenian stocks by allocating their funds to other markets.

The central bank action has had a drastic impact on the performance of the stock market. At the worst point in late March prices had fallen by 24 per cent with the index plunging to 1,260, while daily trading volumes have collapsed to 5 per cent to 10 per cent of previous levels at about 100m tolars ($665,000) compared with as much as 2bn tolars ($13m) in the previous bull market. By late April the index was still 20 per cent below the early February peak.

The Bank of Slovenia restrictions have also taken a heavy toll of independent brokers, as many of the banks are insisting that investors using their custody services must also use their inhouse brokers.

"My foreign business has totally dried up," says Ms Mili Kus, managing director of BPD Eastbrokers, "and that was half of my business. At the same time domestic business has slowed to a trickle ... The next six months will be grinding psychologically."

> 'The attitude is, who needs Slovenia with these kind of measures'

She says that the cost of using the stipulated custody accounts amount to between 8 per cent and 15 per cent of the annual purchase costs, compared with a maximum of 1.5 per cent in other emerging markets.

Foreign investors that were in the market before the bank's measures were announced have largely chosen to remain, but "new investors are staying away", says Ms Kus. "According to one portfolio manager the attitude is, who needs Slovenia with these kind of measures. Why should we invest in Slovenia, we prefer to invest in Romania or Tajikistan."

According to the latest report on east European markets, by Nomura, the Japanese investment bank, "an underweight position in Slovenia has become something of a necessity now that trading has been rendered almost impossible by the actions of the central bank."

While the Bank of Slovenia has defended its actions on the grounds of the threat to its monetary policy posed by the sudden inflow of foreign exchange, some foreign fund managers see the measures as being motivated by fears of foreign investors taking control of Slovenian companies.

Legislation on the conduct of takeovers remains held up in parliament, and in the absence of such regulation companies feel vulnerable to foreign stake building and to the threat of hostile takeovers.

According to a report by Mr Roger Monson, chief equity strategist at Daiwa, the central bank moves could be "motivated by a creeping worry that the actions of foreign investors are becoming too important and that their influence could become too great in a small country concerned with preserving its identity and independence in the midst of much larger neighbours." He claims that important issues relating to international trade and the value of good financial relations with other states and investors were not given due consideration.

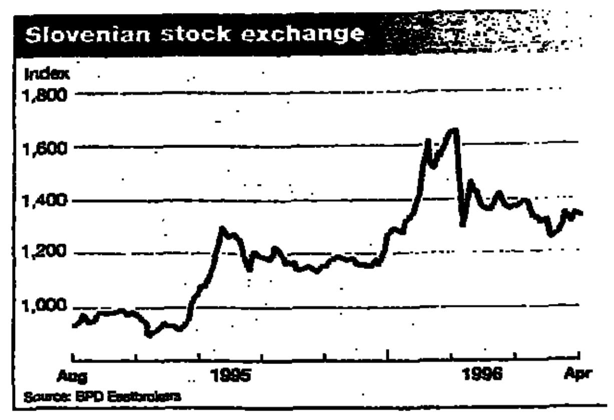
"I understand that foreign investors blame us for being too conservative or too nationalistic," says Professor Joze Mencinger, director of the economic institute of the law faculty in Ljubljana and a member of the board of the Bank of Slovenia. "But I don't see many benefits for the country. Why sell profitable companies to foreigners, I see no reason for that."

The hurdles placed in the way of foreign investors have appeared at an unfortunate moment in the development of the Ljubljana stock exchange, which has been expanding rapidly with the first listing of many newly privatised companies, including blue chip enterprises such as Kolinska in the food processing sector, Lek and Krka, the pharmaceuticals groups, and Mercator, the supermarket chain. Recent additions include Radenska, the mineral water producer and Petrol, the dominant petrol service station chain.

Mr Drasko Veselinovic, chief executive of the stock exchange, says the market's capitalisation has grown from $1.3bn in December to more than $2bn and is set to reach $3bn by the end of the year. He suggests it could reach up to $6bn when many of the 73 privatisation investment funds join the market late this year. The number of shares traded has risen from 19 in 1994 to 30 in 1995 and 53 by the end of last year. Some 39 privatised companies have now been listed.

Mr Veselinovic says the bourse is fighting against the extra costs imposed on foreign investors, and expresses concern about the impact on prices of so many new stocks joining the market, when the outlook is so depressed. "Local purchasing power is not enough for all these securities coming on the market." He estimates foreign inflows amounted to about $150m in the five months to the end of January.

Slovenian stock exchange



Source: BPD Eastbrokers

Becalmed: the Bank of Slovenia applied the brakes Kester Eddy

POLITICS • by Jack Grimston

Move to centre blurs the divides

While old disputes linger, consensus is at the heart of the ruling coalition

The new government which took office in Slovenia at the end of February has come in on a wave of optimism that it can last the whole of its four-year mandate and bridge old political divisions in the country. The centrist alliance of prime minister Janez Drnovsek's Liberal Democrats (LDS) with the conservative People's Party (SLS) and the small DeSUS pensioners' party was supported by 52 out of 90 MPs. Nearly 60 per cent of respondents in opinion polls published after its appointment approved of the coalition, while a similar number thought it would last the whole term.

The two main governing parties came out of the elections the strongest, with 25 seats for the LDS and 19 for the SLS in the 90-member National Assembly. DeSUS, set up to protect the interests of Slovenia's 450,000 pensioners at a time when pension reform is planned, won five seats. The LDS, with the finance, foreign and economics portfolios in addition to the premiership, dominates, although Mr Marjan Podobnik, SLS leader, won the post of deputy prime minister.

According to Slovenia's president, Mr Milan Kucan, the LDS-SLS alliance is "the key precondition for a consolidation of the political scene" and represents a bridging of what he sees as an artificial divide in Slovenian politics based on parties' attitudes to the past.

It is this, and in particular parties' pro- or anti-Communist history, rather than any specific policy differences, that often defines whether a party is called left or right wing. The LDS is placed on the left by many because it is the direct successor to the youth wing of the Yugoslav-era Slovenian League of Communists. But this was one of the most reformist Communist organisations in eastern Europe. Within Slovenia, the LDS is now the most closely identified with free-market reforms and enjoys strong support from managers and financiers. Mr Drnovsek, although a one-time president of Yugoslavia, was not himself a Communist.

The SLS, on the other hand, is often categorised as right wing, which might be justified by its more cautious stance to the EU and conservatavism on rural and religious issues. But several of its members have derided excessive economic liberalism on the part of the LDS.

Both are mainly centrist parties supporting economic growth as a priority, but with the maintenance of a strong welfare state, together with further privatisation and reform with a view to eventual membership of the EU. While the two parties differ over the pace of approaching the EU, both are agreed on the aim.

"There were not very many differences between us before," says Mr Drnovsek. "The main problem was that they were an opposition party and we were in government and it's the opposition's job to criticise."

But the campaign for last November's election and the attempt to build a viable government that followed its inconclusive result showed that old divisions are still powerful. The SLS spent most of the post-election period allied with the Christian Democrats (SKD) and Social Democrats (SDS).

The three parties were mainly united by their opposition to what they alleged was a network of former Communists still controlling many areas of Slovenian life. So strong was the feeling among their supporters that Mr Ciril Pucko, the deputy whose defection from the SKD in January allowed Mr Drnovsek to remain as prime minister, had to be given police protection.

Mr Drnovsek's first attempt at forming a coalition in February, which failed by one vote to be approved in parliament, grouped together most of the parties connected to the former regime, although their current views range from far left to far right. It was this alliance's defeat which allowed the current government to emerge.

The issue which has taken up most parliamentary time since the new government came into office shows how far parties are still attached to the old disputes. A dispute over whether to return to the Roman Catholic church and descendants of aristocratic landowners property which was confiscated under the Communist regime is ranging traditional opponents against one another.

The government, taking on the role of bridge-builder, is playing down the importance of the issue and trying to put together a compromise solution. Mr Drnovsek says the coalition is determined not to let the question affect its work in other areas, even if the two main parties disagree on it.

There are other efforts to build consensus. All the major parties recently signed a declaration in favour of Nato membership. And the persistence of old disputes should not disguise the turmoil within some of the opposition parties as they struggle over how to react to their failure to get into government.

The United List of Social Democrats (ZLSD), direct successor to the former ruling Communist party, has seen its share of the vote fall gradually from 17.3 per cent in 1990 to 9 per cent last November. In March, the party elected a new leader, Borut Pahor, who at 33 is the youngest party leader in parliament. Skilled at political marketing, he plans to modernise the party by increasing its appeal to moderately left-leaning younger voters. While he won the leadership by a convincing margin, a significant part of the ZLSD opposes him. "I expect some of our members to move out soon and form a new radical-left group," he says.

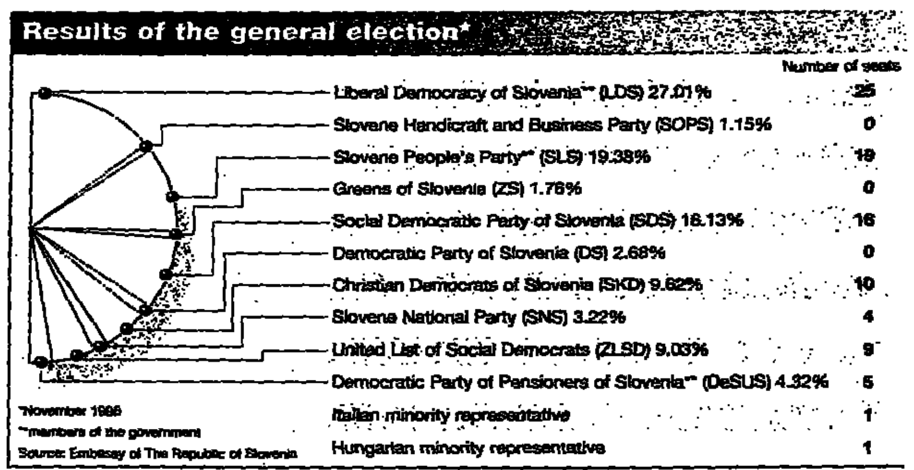
He now hopes to start talks on "co-operating" with the largest opposition grouping, the SDS. But Mr Janez Jansa, the SDS leader, a dissident in former Yugoslavia, is best known in Slovenia for leading attacks on the former Communist elite.

The conservative Christian Democrats (SKD) are in the greatest turmoil. Mr Lojze Peterle, Slovenia's first post-independence prime minister, is facing an assault on his leadership of the party. Damaged by a one third decline in its share of the vote and by Mr Pucko's defection, the party is split into several factions. According to one recent opinion polls, its support has fallen to below 2 per cent.

Some groups want to modernise the party by putting less emphasis on its rural, pro-Roman Catholic, anti-communist history which has left it open to charges of not sufficiently condemning Slovenia's second world war German and Italian occupiers. Some parts of the party favour a merger with the SLS, with which it competes for voters especially in rural areas.

Debates later this year over preparing the country for entry into the EU will help to show which direction Slovenia's parties are heading. And Mr Kucan, leader of Slovenia since 1986, ends his first term of office as president of the independent country in December. He has not yet announced if he is to stand for a second term. But no other obvious candidates for the job have yet come forward.

Results of the general election*



*November 1996
**members of the government
Source: Embassy of The Republic of Slovenia

PROFILE Marjan Podobnik

Cosy style wins out

The man who gained most from last November's general election appeared on his Slovenian People's Party campaign posters with his children on a grassy slope above the slogan: "For Slovenia with Love". Mr Marjan Podobnik's cosy style seems to have worked: the party more than doubled its vote from the 1992 elections to 19 per cent, making it the second largest grouping in parliament with 19 seats. Mr Podobnik ended up as deputy prime minister, with his party holding nearly half the cabinet.

Marjan Podobnik: a powerful junior partner

The appeal to "family values" rings true. Mr Podobnik, a 36-year-old farmer's son from Cerkno, north-west of Ljubljana, has kept the SLS leadership in family hands. His brother Janez, the parliamentary speaker, heads the SLS's main policy-making body. In 1992, two years after moving into parliament from the obscurity of a provincial farming co-operative, Marjan ousted his father-in-law, Mr Ivan Oman, to become leader of the Slovenian Farmers' Association, as the SLS was then called.

He changed the party name and widened its agenda from that of a farmers' lobby group to a soft-right conservative party favouring protection against cheap agricultural imports, criticising the left-leaning government and cautious about membership of the EU.

Most of the time, Mr Podobnik sounds like a continental conservative, talking of consensus-building, social harmony and gradualism. But in his rhetoric against EU "blackmail", the more macho British variety is on display.

Three-and-a-half months of attempts to form a new government after the inconclusive election also showed political pragmatism. In debates with Liberal Democrat leader and prime minister Mr Janez Drnovsek, he had lambasted the premier for his party's cronyism and for conceding too much to win an association agreement with the EU.

But he quickly dumped two nominally allied parties for the chance of going into coalition with Mr Drnovsek after the first LDS-led government failed to win parliamentary support in February. "Either the left and right blocks would continue to struggle with divisive effects on the country, or the two largest parties should come up with a compromise," he says. "A third of our party leadership disagreed and only time will show whether it was the right decision for the party, but I am sure it was right for the state."

The SLS's lack of experience in office, although it attracted many anti-government voters in the towns, made it hard to fill cabinet posts. Two SLS-proposed ministers come from outside the party. One, Mr Marjan Senjur, minister for international economic relations, was a co-author of the last government's economic strategy.

Nevertheless, Mr Podobnik has carved out what could be a powerful personal job, including chairmanship of cabinet committees for appointing senior officials in ministries and supervising the state security service, as well as responsibility for "co-ordination of foreign, defence and internal affairs".

How much of Mr Podobnik's election programme can be carried through while he remains a junior partner is still to be seen. He has won the promise of more subsidies for farmers. But in an important shift towards Mr Drnovsek, he supports the prime minister's timetable for ratifying the European agreement. Mr Podobnik might have come a long way, but he remains number two.

Jack Grimston

PROFILE Gorenje

Still in the kitchen despite the heat

Gorenje fights for independence as it confronts tight markets and rising costs

Among the handful of Slovenian companies that have developed internationally recognised brand names, Gorenje has been one of the most successful.

Its cookers, refrigerators and washing machines held about 4 per cent of the west European market last year, putting it in the top eight producers.

The company earned some 95 per cent of its DM1.5bn revenue outside Slovenia, nearly all of this in Europe, making it the country's biggest net exporter.

Gorenje is now fighting to stay independent, as it is caught between a vicious European market and costly operating conditions at home.

"We are much too big for Slovenia, but small in European terms," says Mr Stanko Pusnik, Gorenje's marketing director.

But saturation in the western European household goods market, which is growing by less than 2 per cent a year, has hit the company hard. Price wars have eliminated hundreds of companies in the past five years.

This meant that Gorenje was unable to raise prices to compensate for lost markets when Yugoslavia fell apart in 1991. High import barriers in Yugoslavia had meant that the company was able to charge up 40 per cent more for its goods there than it did in western Europe.

Profits disappeared in the crisis years of 1990-93. The workforce at Gorenje's plant in Velenje, central Slovenia, was cut from 11,000 to about 6,000 now.

Pre-tax profits last year were DM5m, less than 1 per cent of sales. "That is good for Slovenia, but our major competitors in Europe are making profits of around 4 per cent," says Mr Borut Meh, Gorenje's deputy chairman.

At home, the company is confronting similar problems to those of many Slovenian exporters. The worst of these has been the strength of the domestic currency, which has been maintained by the authorities as an anti-inflation measure.

Gorenje estimates that it lost some DM20m last year on currency movements alone, almost as much as it spent on its investment programme.

High wage bills are another difficulty facing Gorenje. The average Gorenje worker takes home about DM480 a month, but the cost to the company is more than double that due to high taxes and other compulsory payments.

Slovenia's collective bargaining system has done little to rein in rising costs. Gorenje's labour bill went up 13 per cent last year, although its workers are still a lot cheaper than in west European countries.

In addition, strict labour laws will make it difficult to use compulsory redundancy to achieve a planned 2 per cent cut in the workforce. "We make them an offer, and if they don't like it they stay," says Mr Meh.

Gorenje's tight margins are delaying plans for increasing its sales in eastern Europe, where setting up distribution networks has proved expensive.

The company is dependent on the German market for about 30 per cent of its sales, but constant revamping of its products to keep up with strict German ecological legislation are taking the lion's share of investment.

One successful diversification move could be repeated: the purchase of a kitchen furniture factory in the Czech Republic in 1995 helped Gorenje win a quarter of the market in some sectors.

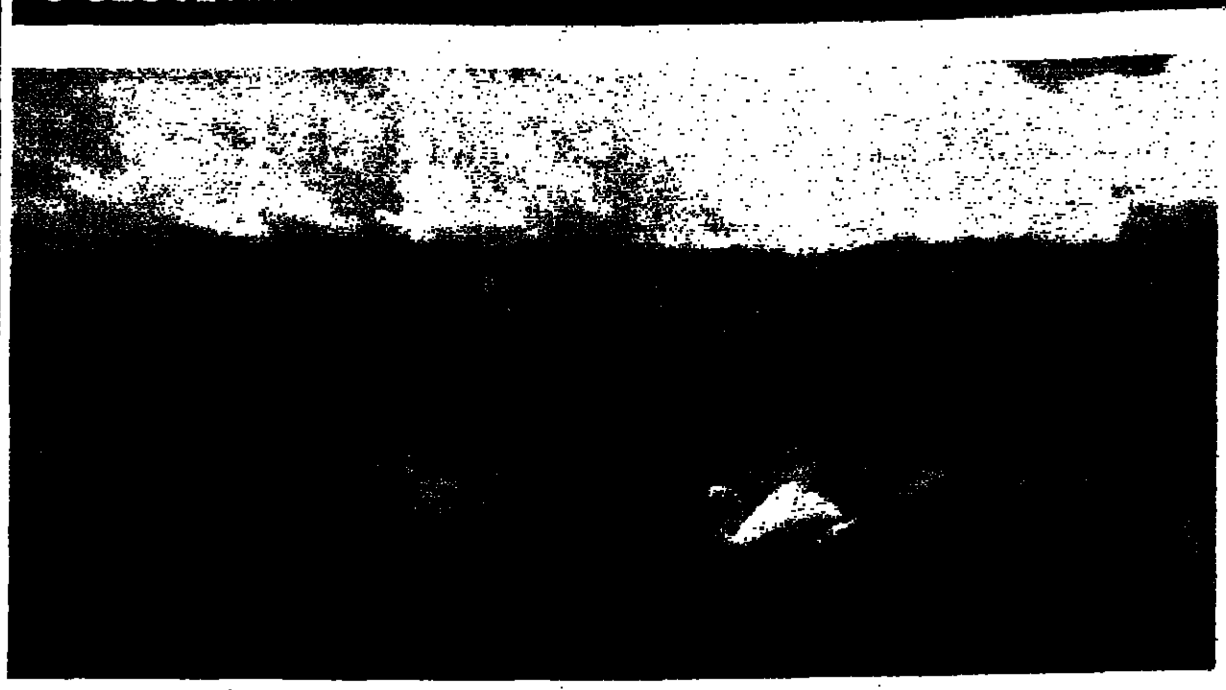
It also gave it the chance to sell complete kitchens, an area where it says margins are slightly higher than for appliances alone.

Gorenje is now in a period of hiatus as it waits to see how its new owners will act. Privatisation, due to be finished this September, will put the majority of the company in the hands of Slovenian investment funds and citizens, with employees keeping a 35 per cent stake.

Only then will the company plan its long-term future. Loss of independence is a taboo subject for directors. But high quality levels have already attracted western companies such as Germany's AEG and Quelle and Britain's MFI to subcontract manufacturing to Gorenje.

"We have to recognise the trend in the industry towards big multinational systems," says Mr Pusnik. "That means being open to talks with possible strategic partners."

Jack Grimston



Picture postcard beauty: Lake Bled is Slovenia's foremost tourist attraction

TOURISM • by Kevin Done

Recipe for a tasty mixture

Plans are being developed to double the number of tourist beds in 10 years

When in Bled do not forget the cream cakes. They are magnificent.

It is easy to be distracted. The emerald green waters of the lake, the picture postcard beauty of the baroque church on its tiny island, the medieval castle perched on a cliff high above the town, the green surrounding hills – and in the background the snow-capped Julian Alps and the Triglav national park make Lake Bled Slovenia's foremost tourist attraction.

The more informed guide books warn the visitor off. Bled is overpriced, has too many visitors, is too sure of its beauty and not welcoming, they say.

They suggest instead a beeline to nearby Lake Bohinj. It is much less developed, it is within the national park and has a tranquility Bled cannot match.

They might be right, but sample the cakes in the lakeside cafe of the Hotel Park, created by a Mr Lukacevic, the hotel's former confectionery manager. "A golden crispy crust from butter dough, a delicious vanilla cream of exactly the right consistency, topped with whipped cream and a crisp layer of butter dough covered with powdered sugar." For once the hype is justified.

When you do move on, you are spoiled for choice. Slovenia is smaller than Sicily, half the size of Switzerland, and has a third of the population of Denmark. But from the mountains and lakes to the spa resorts in the east, to baroque Hapsburg towns, the spectacular limestone caves of the Karst region, and even a strip of Adriatic coast, the country offers variety that is hard to rival – with the convenience of short distances.

A couple of hours' drive from Bled will take you along deserted dirt roads and river valleys to the heart of the Triglav national park, across towering alpine passes, into the beauty of the Soca valley, and down to the Adriatic and the towns of Piran and Koper, where a heavy Venetian influence is evident at every turn.

The Soca valley, a favourite haunt for white-water rafting and canoeing, has a sombre past. This was the Isonzo front of the first world war, where Italians faced combined Austrian, Hungarian, German and Slovenian forces in a three-year stalemate, which was broken in October 1917 with appalling loss of life – there were nearly 1m casualties on this front. History is retold in the award-winning museum at Kobarid, deep in the mountains, the Caporetto of Hemingway's *Farewell to Arms*.

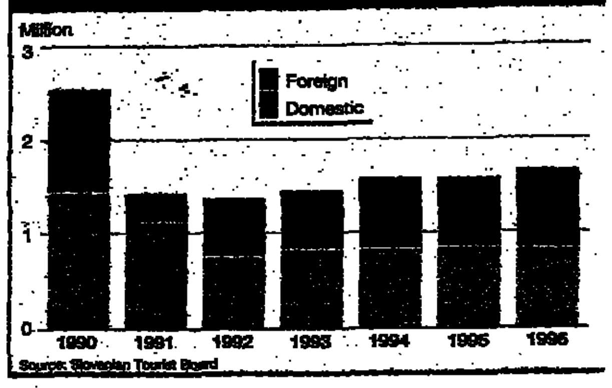
Slovenia gained independence in 1991 and the country's vulnerability to the turbulent affairs of outside powers is etched in private family histories. "My grandfather was born an Austrian," says an official of the Koper municipality. "My father was born Italian. I was born in Zone B [part of the disputed Trieste region administered by the Allies and the Yugoslavs after the second world war]. My daughter was born in Yugoslavia, and when she has children they will be born in Slovenia. And my family has never left Koper."

Slovenia escaped almost unscathed from the collapse of Yugoslavia and has been spared the horrors perpetrated in Croatia and Bosnia-Hercegovina to the south. The most developed of the countries to emerge from the former eastern bloc, it feels firmly part of western Europe, but it has taken time for this sense of peace and prosperity to penetrate foreign tourist markets.

The tourism industry was hit hard by the break-up of Yugoslavia, with the number of visitors, both foreign and domestic, collapsing from 2.54m in 1990 to 1.37m in 1992, while the number of overnight stays fell from 7.96m to only 5.1m.

The sector is staging a strong recovery, however, as the government accepts its importance as a source of foreign currency earnings and of employment, and has started to devote more significant financial and organisational resources to promotion in foreign markets.

Movement of arrivals



Source: Slovenian Tourist Board

When Yugoslavia collapsed, foreign currency earnings from tourism – vital in offsetting the country's big trade deficit – fell from \$858m in 1990 to \$358m in 1991. By 1995 earnings had recovered to \$1bn and last year the inflow of foreign currency rose by 13 per cent to reach \$1.22bn.

The number of tourists rose 5 per cent to 1.66m last year, and in the first two months this year the number of overnight stays by foreign tourists increased by 16 per cent, compared to the same period a year ago. Close to 60 per cent of foreign visitors come from Germany, Italy and Austria, but significant markets are also being developed in the UK, and the Benelux and Scandinavian countries.

The government has moved tourism promotion activities out of the Ministry of Economic Affairs and into the Slovenian Tourist Board, which started operations early last year.

The STB has developed ambitious targets. "In 1996 we still had 32 per cent fewer overnights from abroad than in 1990, but we are planning to reach the the 1990 level again in the next two to three years," says Mr Franci Krizan, general manager of the board. "Our target in five years is to reach 9m overnight stays in Slovenia and foreign currency earnings of \$2bn a year."

The initial DM2.5m STB budget last year has been raised to DM9m this year and will be held at this level for five years, says Mr Krizan, who is aiming promotion at Germany, Italy, Austria, the UK and Croatia.

Slovenia has about 70,000 beds in hotels, private accommodation and campsites – occupancy rates were about 65 per cent in 1996. Mr Krizan says that plans are being developed to double this capacity in 10 years with the main growth coming from the development of more small family hotels and the expansion of the main health spa resorts.

The casinos, which rake in about 30 per cent of the sector's foreign currency earnings, are also being encouraged, mainly to attract more cross-border traffic from Italy, where tough laws ensure that gaming remains a pursuit of the wealthy elite in contrast to Slovenia's mass market approach. Cheap petrol and cigarettes are added attractions for cross-border visitors.

Mr Krizan admits that in general "it is not cheap any more in Slovenia", but insists that "we still offer value for money. It is foreign, but not exotic, and it is without nasty surprises".

Slovenia's marketing slogan has been changed recently from promoting "the sunny side of the Alps" to "the green piece of Europe", but whatever the message the country is starting to carve out a niche in the European market.

BUSINESS GUIDE

Time: GMT + 1 hr (GMT + 2 hrs from late Mar to late Sep).
Climate: Slovenia has three different climates: Middle-European, Alpine, Mediterranean. Average summer temperature: 21 degrees C. Average winter temperature: 0 degrees C.

Entry requirements
Passport: EU nationals do not require a passport.
Visa: Australian and New Zealand nationals do not require a visa.
Currency: Traveller's cheques are widely accepted.
Representation overseas: Bonn, Brussels, Budapest, London, Paris, Rome, Vienna, Washington, Zagreb.

Air access
National airline: Adria Airways.
Other airlines: Aeroflot, Air France, Austrian Airlines, Interimpex-Avioimpex, Lufthansa, Swissair, Air Bosna.
International airports: Ljubljana-Brnik (LJU), 27km from city centre.

Surface access
Main ports: The Port of Koper is a modern-equipped port with several container terminals.
Road: Slovenia borders on Austria, Italy, Hungary and Croatia.
Credit cards: Most supermarkets and car hire firms will accept credit cards. The most commonly accepted are American Express, Eurocard (Mastercard), Visa and Diners.
City transport
Taxis: Good service operating in all main cities. All taxis are metered, but there is no basic charge. A 10 per cent tip is usual.
Buses and trams: Most city centres are served by trams, and the suburbs by buses. The service is generally cheap and regular. Tokens for buses can be purchased on newspaper stands, at post offices and on newspaper stands in supermarkets. Fares can be paid in cash but tokens are cheaper.
Rail: Reservations are recommended.

National transport
Road: All four-lane highways are toll roads. The main highways include Ljubljana-Razdrto, Arja vas-Hoce and Ljubljana-Kranj. Roads are generally good, although some of them are in need of repairs.

Public holidays
Fixed dates: 1-2 Jan (New Year), 8 Feb (Preseren/Culture Day), 27 Apr (Uprising against Occupation), 1-2 May (Labour Day), 25 Jun (National Day), 15 Aug (Feast of the Assumption), 31 Oct (Reformation Day), 1 Nov (All Souls' Day), 25 Dec (Christmas Day), 26 Dec (Independence Day).
Variable dates: Easter, Whit Sunday.

Working hours
Business: 0700 - 1500 (Mon-Fri). Some firms have adapted to European working hours: 0800 - 1600/0900 - 1700 (Mon-Fri).
Government: 0800 - 1600 (Mon-Fri).
Banking: 0800 - 1800 (Mon-Fri), 0800 - 1100 (Sat).
Shops: 0700 - 1900 or 0800 - 2000 (Mon-Fri) some shops also open 0800 – 1300/1400 (Sat), 0800 - 1200 (Sun).

Communications
Telephone: Dialling code for Slovenia: IDD access code + 386 (used to be 38) followed by area code (64 for Kranj, 61 for Ljubljana, 62 for Maribor, 66 for Portoroz, 63 for Celje). Calls can be made with either tokens or magnetic cards (only available at post offices that have magnetic card public telephones). Tokens are available at post offices and newspaper stands: "A" tokens for local calls and "B" tokens for long-distance calls. For IDD access from Slovenia dial 99. Operator assistance in Ljubljana: dial 901.
Postal services: There is a 24-hour service at the post office on Cigaletova 5 in Ljubljana. Postal facilities and services are of a European standard.

Social customs
Business habits are closest to those of Austria and Germany. Business visitors should be smartly dressed. It is not unusual for Slovenians to prefer to hold business discussions over lunch.
Business language and interpreting/translation: Standards of English and German are extremely high. A translation service can usually be arranged through hotels, tourist offices or local enterprises.

Banking
Central bank: Bank of Slovenia.
Commercial banks: Ljubljanska Banka, SKB Banka some smaller commercial banks have been established, including three Austrian banks and a French bank.
Other banks: Ljubljanska Banka-Zdruzena Banka, UBK Banka.

Trade fairs
For information regarding trade fairs, contact Ljubljanski Sejem, 1116 Ljubljana, Dunajska 10 (tel: 117-200; fax: 117-101). The World Trade Centre combines a congress hall, parking for 1,000 cars, an office block and shopping mall.

Electricity supply
220 V AC. Round two-pin plugs are used.

Weights and measures
Metric system.

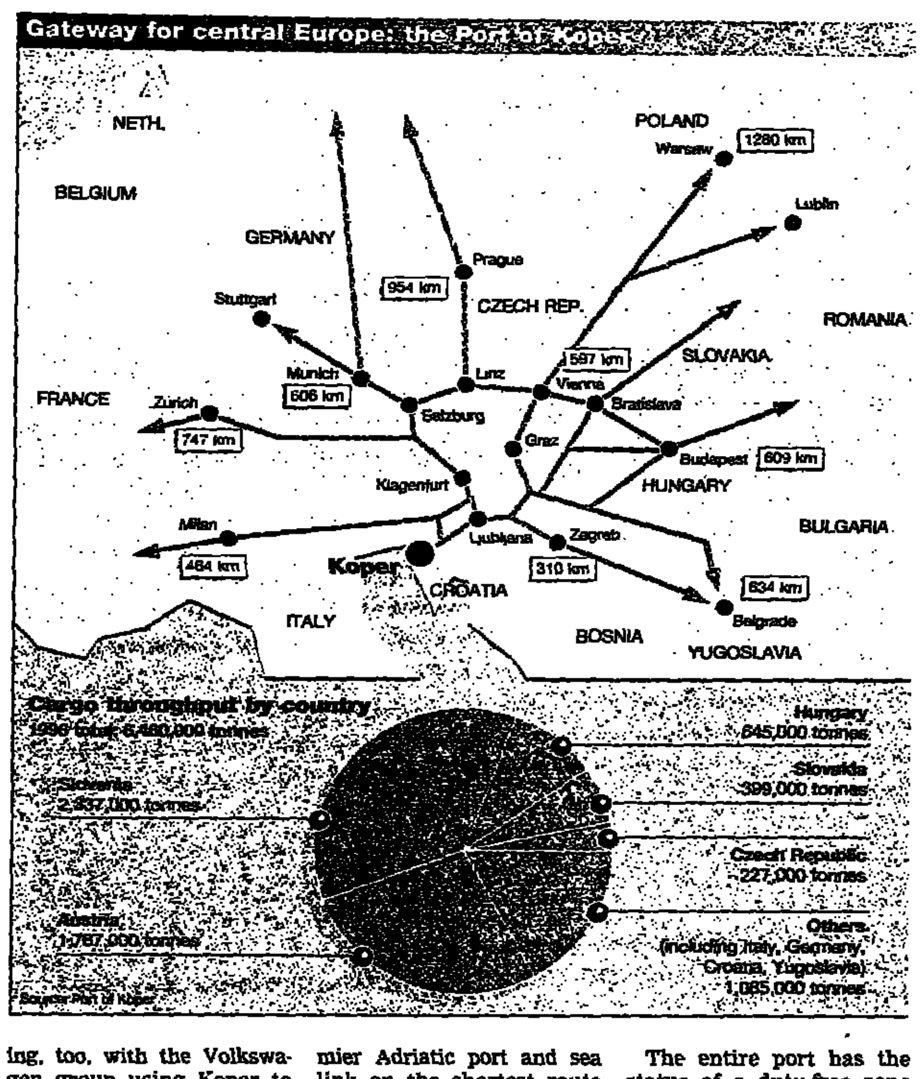
Useful tips
Carry some form of identity at all times. Business deals are usually calculated in D-Marks.

Source: World of Information

PORT OF KOPER • by Kevin Done

Chasing slice of the action

The port is capturing an increased share of the trade flows of its neighbours



Lined up across the quaysides of the Port of Koper, Slovenia's gateway for central Europe, are hundreds of Daewoo cars waiting to be dismantled, before they move on by train to Poland.

The cars are driven off the giant carriers from South Korea, built-up and ready for the showrooms of dealers across central Europe. Those destined for Poland, however, are first "disassembled" at Koper into five pieces to avoid the heavy Polish customs duties levied on built-up car imports.

Separating the wheels, exhaust system, engine and gearbox means that the cars can enter Poland as "kits". The "disassembly" operation – carried out by Daewoo with its own workers brought in from Poland – has offered Koper a lucrative entry ticket into the fiercely competitive car transport business.

The port expects changes in Polish import regulations to close this loophole from the end of 1997, but the trade has given Koper, Slovenia's rapidly expanding port at the head of the Adriatic, a chance to show customers in the world car industry, the role it can play in greatly reducing the cost of shipping cars to many of the markets of central Europe.

Koper only began handling cars in 1990 when Hyundai, the leading Korean vehicle maker, moved 300 cars through the port for the domestic Slovenian market, but with abundant free storage space it is moving quickly to take advantage of its strategic location less than 600km away from some of the main population centres of central Europe.

About 118,000 new cars were moved through Koper last year, including 60,000 for Daewoo, its main automotive customer (43,000 were disassembled), and 12,000 for Mitsubishi from Japan.

Imports still dominate the trade, but exports are growing, too, with the Volkswagen group using Koper to transport its VW, Audi and Skoda cars to Mediterranean markets including Greece and Turkey, Cyprus, Lebanon, Israel and Egypt. Ford and Opel are also shipping through Koper to the eastern Mediterranean.

While VW still uses Bremerhaven in northern Germany to export to the Far East, the Slovenian port is also seeking a share of this business. Among Asian carmakers it has signed a contract with Kia, the Korean vehicle producer, and it is in negotiations with Toyota and Mazda from Japan.

Koper, (Capodistria in Italian), surpasses Rijeka in neighbouring Croatia in the handling of non-oil cargoes and is challenging nearby Trieste to become the premier Adriatic port and sea link on the shortest route between central Europe and the Far East.

Ships coming into the Mediterranean through the Suez Canal can save five to 10 days of sailing time and up to 3,700km by using the southern sea route to central Europe through the Adriatic rather than the longer northern route to the north European ports of Rotterdam, Bremerhaven and Hamburg.

The volume of trade shipped through Koper fell slightly last year to 6.46m tonnes from 6.7m tonnes a year earlier, largely due to a sharp drop in wheat exports from Hungary, but Mr Vitomir Mavric, marketing and operations director of Luka Koper (Port of Koper), expects trade to reach about 7m tonnes this year.

The entire port has the status of a duty-free zone and includes a terminal for container, ferry and roll on-roll off traffic, and terminals for general cargo, timber, and bulk and liquid cargoes.

Mr Mavric estimates the port's capacity at about 8m tonnes a year, but this will rise sharply to 11m to 12m tonnes, when the Slovenian authorities complete the project for transforming the final 22km of railway line to Koper from single to double track.

The port's rail and road links are being greatly improved as part of Slovenia's ambitious development of its transport infrastructure. This is crucial if Koper is to capture an increased share of the trade flows of neighbouring countries. Last year import/export trade for Slovenia itself accounted for only 36.2 per cent of the cargoes passing through Koper with 63.8 per cent coming from transit trade.

Koper is land-locked Austria's main outlet to the sea, and Austria last year accounted for 27.4 per cent of the port's total cargoes and for 42.9 per cent of the transit trade. Hungary, Slovakia and the Czech Republic are also important customers, while the port plays a more minor role in the foreign trade of Germany, Italy, Switzerland and neighbouring Croatia.

Mr Mavric is confident that Luka Koper can sustain its competitive advantages most importantly over neighbouring Trieste across the border in Italy. The port maintains that its prices are, on average, between 10 and 15 per cent lower than in Trieste. At the same time Koper's industrial relations record is much better than the Italian port's.

Despite the small drop in tonnage handled last year Luka Koper increased its net profits to 1.3bn tolars ($8.9m) from 877.4m tolars ($5.8m) a year earlier on a turnover, which rose by 11.2 per cent to 8.05bn tolars. ($53.7m). A determined effort to streamline its operations and to dispose of non-core activities, as it has proceeded through a long privatisation process, has led to the workforce being cut from 2,100 in 1991 to about 650 at present.

Luka Koper is now 51 per cent owned by the state, and it has been listed on the Ljubljana stock exchange since November last year. The city of Koper owns 7.65 per cent and funds, such as the state development fund, own a further 16.5 per cent.

Foreign investors must have approval from the state before owning shares in the port. Such permission has been sought, but the port claims the government has so far failed to respond to all requests. Some shares have been bought by Pictet, the Swiss emerging market investor, and by Daiwa, the Japanese securities house, but Luka Koper officials say the holdings could be open to challenge at its annual shareholders meeting.

With its town centre of narrow winding streets, tranquil riverbanks and neatly dressed residents, Ljubljana has the atmosphere of any number of European provincial cities – which is what it was until it unexpectedly became the capital of a new country in 1991. Although Ljubljana has adapted quietly to its new role, its 270,000 inhabitants have become used to some of the strains of western-style urban development. Parking and traffic jams in the rush hour inject a note of stress, although crime remains low. Offices and residents have begun to leave the centre for newer blocks in the suburbs.

Tourists may pass Ljubljana by as they head for the mountains or the sea, but the city is trying to put itself on the cultural map of Europe. A "European Month of Culture" from May to July, although almost sunk by internal bickering at the planning stage, is bringing in about 200 shows from around the continent. The Italian tenor Mr Luciano Pavarotti will round it off on July 4 with a concert for rebuilding a fire-damaged opera house in Venice.

PROFILE Petrol, the oil company

A fight over the happy customer

Suppliers on both sides of the border are in a dispute for market shares

At petrol stations all along Slovenia's western border the queues of cars are Italian and the currency filling the cash registers is lire. They have come over the border to take advantage of petrol prices that are as much as 40 per cent lower than at home. Almost one-third of Slovenia's petrol sales are to foreigners.

In Slovenia car ownership is rapidly rising to western European levels. Growing personal incomes and the construction of the country's motorway system contributed last year to a 9 per cent growth in petrol sales, a market worth about $500m.

But apart from the customers, almost nobody is happy. Reacting to the loss of business, Italian retailers have successfully pressed their government to introduce a scheme reducing prices for fuel for local residents on their side of the border.

Slovenian retailers are also concerned that, in spite of the boom in business, Petrol, the Slovenian oil company which controls 77 per cent of the market, is struggling to maintain profit levels to satisfy its 96,000 shareholders as it moves to the private sector with a listing on the stock exchange on May 5. Last year's profits of $13m were down by 30 per cent from the 1995 figure.

"Our major difficulty is the pricing policy of the state," says Mr Janez Lotric, director of Petrol's international division. About one-quarter of retail prices –fuel is among them – are set by bureaucrats. But Petrol must pay its international suppliers in dollars, a currency which strengthened markedly against Slovenia's tolar last year, contributing to a 21 per cent rise in oil purchase prices. "The state allowed us only a partial rise in retail prices, with big delays to compensate for this," says Mr Lotric.

Although the government is committed to a gradual rise in prices and fuel taxes to align Slovenia with conditions in the EU, it is cautious about the wider economic effects. A 9 per cent rise which it sanctioned in March is expected to add more than 1 per cent to April's annual inflation rate.

A different threat to Petrol comes in the shape of foreign oil companies which have been eyeing the Slovenian market. The Anglo-Dutch group Shell opened its first station this year and plans about 20 more. But, with other new entrants to the market, it has been closed out of a lucrative sector, the service stations along Slovenia's fast-sprouting motorways.

A government decree last May said that only companies which already operated three stations in the country and had storage facilities and a supply network in place could bid for sites along the motorways. This effectively shut Shell, Agip of Italy and others out of the market. The 23 tenders issued later in the year were awarded to Petrol and a joint venture between OMV of Austria and a small Slovenian oil company, Istrabenz.

The Slovenian side argued that local companies had an obligation to maintain the country's strategic reserves and distribution capability while running uneconomic rural sites as a local service, and foreign companies without these obligations should not be allowed to cream the most lucrative locations.

But, according to Mr Roy Wyllie, Shell's general manager in Slovenia, "this condition was against Slovenia's constitution and discriminatory. And in business terms, it makes no sense for us to build storage here when we have a depot one hour from the border".

After months of lobbying the Slovenian government rescinded its decree in December – but too late to affect the tendering process.

The Slovenian government considers the matter closed but Shell hopes the courts will reopen the tendering process. And its expansion plans off the motorways remain on track.

Jack Grimston

INFRASTRUCTURE • by Jack Grimston

Projects remain in state hands

The large-scale participation of foreign groups in development has been avoided

Slovenia has embarked on a heavy spending programme to bring its infrastructure up to western European standards and take advantage of its strategic position bordering the European Union, Central Europe and the Balkans.

But while some Central European countries have permitted large-scale foreign participation in their construction programmes, Slovenia has opted for state monopolies. Motorway construction – a priority – is in the hands of a government agency, DARS, which has not so far awarded any concessions to the private sector to build and operate the new roads.

Foreign banks such as the European Bank for Reconstruction and Development and the European Investment Bank have provided some loans, but more than 60 per cent of finance comes from tolls and a tax on petrol. Slovenian builders are undertaking most of the work. Two contracts have been won by Italian construction companies but remain dogged by payment disputes.

The biggest project is the building of a 500km motorway network to be completed by 2004 to provide fast east-west and north-south links crossing at Ljubljana, the capital. By the end of last year, 95km of the network had been built, with another 50km planned for this year.

The east-west link is a priority because it connects Slovenia's main economic centres of Ljubljana and Maribor with its port at Koper. In addition, the country's motorways are to be an important link in two trans-European transport corridors defined by the EU in 1993 running through Slovenia – one southwards into the Balkans and one eastwards to Ukraine.

Spending on the $2.3bn network helped the Slovenian construction industry, one of the worst hit by the collapse of former Yugoslavia, to grow by 11.1 per cent last year, more than double the rate of any other sector of the economy.

About half of the highway contracts have been awarded to SCT, the Ljubljana-based construction company that employed 10,000 people in the 1980s throughout former Yugoslavia and the Middle East, where it built air bases for the Iraqi military. As with many Slovenian companies, SCT shrank in the wake of the collapse of Middle Eastern and Yugoslav markets between 1992 and 1995, leaving it with just 2,800 employees.

The highway-building contracts last year enabled SCT to move back into the black with a profit of DM8.2m. It now plans to complete its privatisation.

Some Slovenians sound a note of caution over the amount of heavy goods traffic that could flow along the new motorways. Mr Marjan Senjur, minister of economic relations and development, says: "Slovenia must be a transit country, but it is also small and still well preserved. We have to take care what it will look like in the future. We would like more traffic, but it should be well regulated and respect ecological standards."

The country is also modernising its telephone network. While more than 90 per cent of households have telephones, businesses tend to have fewer lines than in the west. "With about 33 lines per hundred people, we are at the level of some less developed west European countries," says Mr Adolf Zupan, managing director of Telekom Slovenije, the state-owned telecommunications company.

Telekom plans to invest DM200m this year, including the installation of 55,000 new connections and work on replacing old switching equipment with digital exchanges, a process which should be complete by the end of the century.

Mobitel, Telekom's fully-owned cellphone subsidiary, has seen the number of subscribers soar from 2,300 when it was set up in 1992 to almost 50,000. Mobitel's target is 150,000 by the end of the century.

Mr Zupan believes Slovenia could become an important hub for Balkan telephone calls. "Except for Serbia, we have been talking about transit for international traffic with telephone companies all through former Yugoslavia. We expect to provide strong competition to Hungary for this business," he says.

Some areas of the telecoms sector are slowly being opened up to competition. A trial operating licence was given to a second mobile operator at the end of last year and new companies might be allowed to build telephone boxes. But the main network remains protected. A law going through parliament should preserve Telekom's monopoly at least until the end of the decade.

"Our profits are too low at the moment," says Mr Zupan. "And we need to develop our infrastructure properly before we can be expected to compete fully with other operators."

CWS formally sacks two top officials

By Norma Cohen

The Co-operative Wholesale Society has formally sacked two of its top officials who it accused of plotting with financier Mr Andrew Regan to launch a hostile bid for the organisation.

Mr Allan Green, controller of the CWS retailing business, and Mr David Chambers, chief general manager, buying, markets and supply chain, were summarily dismissed on Saturday and ordered to return their company-supplied Jaguar cars. Both men were suspended on April 18.

Mr Green admitted in an affidavit filed in the High Court last week that he had passed confidential materials to Mr Regan and his Galileo investment vehicle and was ordered to return seven boxes of documents and discs.

Mr Roger Jones, the CWS secretary, wrote to Mr Green that the dismissal "follows the sordid facts revealed in your recent affidavit". He said he concurred with Mr Justice Lightman who referred to a "gross, wilful and disgraceful breach of confidence".

Mr Jones told Mr Chambers that his close association with Mr Green, with whom he had worked at Hillards supermarket chain and who had recruited him to CWS, made his sacking necessary.

"Further, since your suspension you have continued to ally yourself to Mr Green, which is clearly evidenced by your engaging the same firm of solicitors," Mr Jones wrote.

Mr Graham Melmoth, CWS chief executive, also signalled his intention to punish City advisers who aided Galileo and Mr Regan in his abortive bid.

In a letter to City solicitors Travers Smith Braithwaite, who acted as advisers to Galileo, Mr Melmoth denounced the activities of the solicitors' public relations firm, which privately told journalists that the CWS's self-defence was "a distraction and a sideshow".

"The conduct of your firm in this debacle is neither a distraction or a sideshow," Mr Melmoth said on Saturday in a letter to Mr Alan Keat, the law firm's senior partner.

Despite repeated written requests for an explanation, CWS had received none, the letter said.

Separately, the CWS also confirmed that it had formally asked the London Stock Exchange to investigate whether any "insider dealing" had occurred with respect to shares in Lanica Trust, the Guernsey-based vehicle set up by Mr Regan which, in turn, created the Galileo fund to acquire CWS.

Lanica's shares were suspended in February after they soared to £19.50 from under 200p per share last autumn, despite company comments that it knew of no reason to explain the rise in its share price.

Galileo stake gives surprise to medical charity

By Norma Cohen

Imagine the surprise of the Henry Smith Charity, a 300-year old medical charity, when it learned it was the owner of more than 10 per cent of Galileo, the ill-fated investment vehicle created by Mr Andrew Regan to take control of the UK's Co-operative Wholesale Society.

According to documents filed at Companies House, Glyn Mills Nominees (Lombard Street) Ltd A/C 2153 – a nominee company for the Henry Smith Charity – is the holder of 920,582 first redeemable shares and a further 2,209 non-voting ordinary shares. Glyn Mills is a nominee company operated by Royal Bank of Scotland, one of the UK's largest share custodians.

Mr Brian McGeough, correspondent for the charity, insisted he knew nothing of the investment as did its investment managers, Schroders, M&G and Hambros, whose corporate finance division had been advising Mr Regan.

A rather red-faced RBS explained the confusion. "Towards the end of last year we made an administrative error." Apparently, it had assigned the same nominee account number to the charity and to Jupiter International Fund, a fund managed by another RBS client, Jupiter Asset Management. Jupiter is one of the main shareholders in Galileo.

"All Galileo stock is being re-registered into Jupiter's name," the bank said. "Also we have checked to ensure that no other duplications have occurred across the whole of our system."

Mr McGeough was relieved. "At first I was wishing we actually did own a bit of that Galileo stock," he said, following news that the bid had been withdrawn. "Now I'm glad we didn't."

Premier Oil director faces opposition

By Jane Martinson

Mr Roland Shaw, the outspoken founder of Premier Oil, is to vote against the re-election of one of the UK oil independent's directors at this week's annual meeting because of his concerns over possible conflicts of interest.

Mr Shaw, who was ousted from his final position of non-executive chairman almost three years ago, believes that the position of Mr Sam Laidlaw as a non-executive director of Premier is complicated by his role as chairman of Amerada Hess, the US oil group.

Amerada owns 25 per cent of Premier, a two-year-old stake it has been able to sell since February when a standstill agreement came to an end.

In a letter to today's Financial Times, Mr Shaw, writes that Mr Laidlaw's "presence...raises important conflict of interest issues". He also queries the position of Mr Ian Gray, an Amerada director who is also a director of Premier.

"Amerada's two directors must be privy to confidential information regarding Premier's work – unless they step out of board meetings when such matters are discussed – in which case they can hardly contribute to the main business of the company".

As proof that the attack is not personal he says that he believed Mr Laidlaw would have been the best man to succeed him as Premier's chief executive five years ago.

Mr Shaw, who owns 2.77m shares, or some 0.2 per cent, of Premier, also takes a side swipe at institutional investors for their "neglect of direct and overt attention" to Premier's performance. He describes the company's market rating as "wretched" and suggests that Amerada's large stake could be depressing the company's share price.

An outspoken and opinionated presence when he was in charge of the company, Mr Shaw denied that he had any desire for more active involvement. "I am just a shareholder," he said.

Mr Laidlaw said that Mr Shaw should "do whatever he thinks is appropriate" at Wednesday's annual meeting.

"I have satisfied all the management of Premier and the management of Amerada that no such conflict exists," he added.

MEPC ponders disposal of assets

By Virginia Marsh

Mr James Tuckey, chief executive of MEPC, is considering selling parts of the £3.4bn ($5.50bn) group, the UK's third largest property company, in the wake of failed merger talks with Hammerson, its smaller rival.

Among the options being examined are the sale of its UK small properties division valued at about £350m. Other longer-term possibilities include floating its £400m Australian business and spinning off its US interests into a real estate investment trust.

Sources close to the company, which is being advised by Deutsche Morgan Grenfell, said yesterday that none of the steps were imminent, but that the proposals had emerged from an ongoing restructuring.

As part of its approach, Hammerson, the UK's fifth largest property group, had suggested disposal of some MEPC assets. Talks between the two companies were called off a month ago, but the proposed merger had received the backing of some institutional investors, increasing pressure on MEPC's management.

The shares, which are trading at 463p, a slight premium to net asset value, have underperformed the sector for some time.

Peugeot UK jumps to £30m but margins tight

By John Griffiths

Peugeot's wholly-owned UK subsidiary saw its profits rise sharply to £30.5m ($49m) last year, to account for nearly half the total earnings of the troubled French vehicles group.

Despite the improvement - from £4.9m pre-tax in 1995 - Mr Richard Parham, managing director, said the results reflected a return of only 1.5 per cent on sales and warned that intensifying UK market conditions would continue to place margins under fierce pressure.

The profit was achieved on a turnover up 19 per cent at £2.12bn (£1.79bn) – the first time Ryton-based Peugeot Motor's sales have risen above the £2bn mark.

"Significant" productivity improvements within both manufacturing and commercial activities, which had taken £10m out of costs last year, had made a big contribution to the results, said Mr Parham.

However, he echoed a warning given by Mr Ken Keir, the Honda (UK) managing director, earlier this week, who said that market competition would not allow new car prices to rise even to match inflation. "Margins are under pressure all the time. We at least have been able to show an improvement, which is not reflected among other carmakers."

Rival Vauxhall recently announced £10m profits, but on almost twice Peugeot Motor's turnover. BMW's Rover Group subsidiary is still making losses.

Peugeot Motor was further helped by a 10 per cent increase in its UK car sales from 143,321 to 153,242; an 8 per cent increase in car production to 85,751, of which 13,000 were exported, and a 25 per cent rise in light commercial vehicle sales.

Mr Parham said he expected a further improvement in the company's performance this year, based on a target of 150,000-160,000 UK sales, a further sharp rise in van sales and potentially higher production.

Richard Parham: a return of only 1.5 per cent on sales

ITG poised to be first to join Irish junior market

By Virginia Marsh

Independent Telecoms Group, an Irish communications service provider, is to become the first company to join the Developing Companies Market, the Irish Stock Exchange's equivalent of London's Alternative Investment Market.

The DCM is being launched in an effort to counter the dearth of new issues on the main market. Tax breaks are being offered to those that join and it hopes to attract up to 12 companies in a target capitalisation range of between I£3m to I£20m ($30.8m).

ITG, which is seeking a simultaneous listing on Aim, is raising I£1.71m net of expenses through a placing of 1.28m shares priced at 156p. This gives it a market capitalisation of £6.6m.

After the placing, Mr John Nagle, managing director, and Mr Maurice Healy, finance director, who founded the company in 1989, will hold stakes of 43.3 per cent and 22.7 per cent respectively.

The funds will be used to expand the company's payphone management business and to finance its possible entry into the UK market.

ITG's core business is the sale and maintenance of communications equipment, primarily telephone systems and computer hardware. About 58 per cent of its turnover comes from services.

The company, which is based at Sandyford, Co. Dublin, expects pre-tax profits to rise to £480,000 (£77,500) in the year to April 30, on turnover up more than 40 per cent at I£5.73m.

The nominated adviser is Grant Thornton with Townsley & Co acting as nominated broker.

CWC to begin trading with £4.5m tag

By Christopher Price

Shares in Cable & Wireless Communications will begin trading this afternoon in London and New York, with the UK's biggest combined telecoms and entertainment supplier expected to be valued at about £4.5bn ($7.3bn).

CWC has been formed from the merger of Mercury, Cable and Wireless's telecoms business and the cable companies Nynex CableComms, Bell Cablemedia and Videotron.

C&W will hold a 52 per cent stake in CWC and have management control. A further 33 per cent will be held by the North American parents of the cable companies, while the remaining 15 per cent will be owned by the public.

Such a relatively low public holding means that CWC will not qualify for the FTSE 100, the list of the top 100 companies by market capitalisation, which requires a 25 per cent free float for membership. The 25 per cent rule also applies to all companies listing in London. However, the Stock Exchange has allowed CWC to join because of its large size and the positive implications for liquidity.

Generally favourable comment from City analysts on the new company, together with the relatively small free float, could indicate a bright start for the shares. However, with cable company shares having reflected the poor performance of the industry over the past two years, investors may be wary.

Some analysts point out that with only 10 per cent of the group's revenues coming from television, CWC should be rated alongside other telecoms stocks. For example, it will have a 10 per cent slice of the £21bn a year fixed and mobile telecoms market – second only to British Telecommunications – and some 1.1m customers. In addition, its digital network will be well placed to take advantage of the growing demand for non-voice telecoms traffic, such as the Internet.

Others, however, believe the challenges to the new company to be significant. In particular, its lack of brand – it is discarding Mercury and the cable companies' identities in favour of the little known "Cable and Wireless" – and the threat from established operators BT in telecoms and BSkyB in entertainment.

One positive sign for the new group has been the rise in shares of Nynex CableComms in recent sessions on the London market prior to its merger today. The price of Nynex has enabled analysts to calculate an implied value for CWC, which at Friday's close was £4.5bn.

The increase has been in stark contrast to the performance of Telewest, previously the UK's biggest cable company, whose shares have declined sharply recently.

Lex, Page 18

FINANCIAL TIMES
COMPANIES & MARKETS
Monday April 28 1997
Week 18

IN BRIEF

Mitsubishi takes $341m loss in US

Mitsubishi Motors will take an extraordinary valuation loss of Y43.1bn ($341m) on its investment in its US sales subsidiary and wipe out losses the company has accumulated over the past few years. The Japanese carmaker said cumulative losses at Mitsubishi Motor Sales of America, which had seen its financial situation deteriorate amid fierce competition, had come to $780m including restructuring costs and reserves related to its credit subsidiary. Page 21

Walt Disney to merge video operation
Walt Disney is to merge its domestic and international home video divisions into a single unit in a further indication of plans for increased globalisation of its operation. Home video, which has emerged as one of the entertainment group's most profitable branches in the past five years, will be run by Mr Michael Johnson, current head of the international arm. Page 22

Bre-X set to publish Busang report
Bre-X Minerals is expected to publish the results of an independent audit of the disputed Busang gold property in Indonesia either this Friday or next Monday. Strathcona Mineral Services, the Canadian consultancy co-ordinating the audit, said it planned to deliver its report at the end of the week. Page 21

NCR announces Internet strategy
NCR, the US-based computer group, will unveil a range of products to supply the fast-growing Internet-based electronic commerce market. The new strategy, developed with strategic partners including Netscape, Microsoft, Computer Associates and Cisco Systems, is intended to help NCR's customers build reliable corporate intranets. Page 22

US battle over machine tool operation
A battle broke out between two of the biggest US manufacturers of factory equipment at the weekend when Harnischfeger Industries announced it was launching a $631m hostile takeover bid for Giddings & Lewis. Harnischfeger Industries makes papermaking machinery and materials handling equipment and Giddings & Lewis is the biggest US manufacturer of machine tools. Page 22

Peugeot reveals rise in UK profits
Peugeot's wholly owned UK subsidiary saw its profits rise sharply to £30.5m ($49.41m) last year, to account for nearly half the total earnings of the troubled French vehicles group. In spite of the improvement – from £4.9m pre-tax in 1995 – Mr Richard Parham, managing director, said the results reflected a return of only 1.5 per cent on sales. Page 20

Co-op sacks two top officials
The Co-operative Wholesale Society has sacked two of its top officials whom it accused of plotting with the financier Mr Andrew Regan to launch a hostile bid for the organisation. Mr Allan Green, controller of the CWS retailing business, and Mr David Chambers, chief general manager, buying, markets and supply chain, were summarily dismissed on Saturday. Page 20

CWC prepares to begin trading
Shares in Cable & Wireless Communications will begin trading this afternoon in London and New York, with the UK's biggest combined telecoms and entertainment supplier expected to be valued at £4.5bn ($7.29bn). CWC has been formed from the merger of Mercury, Cable and Wireless's telecoms business and the cable companies Nynex CableComms, Bell Cablemedia and Videotron. Page 20

ITG joins Ireland's alternative market
Independent Telecoms Group, an Irish communications service provider, is to become the first company to join the Developing Companies Market, the Irish Stock Exchange's equivalent of London's Alternative Investment Market. The DCM is being launched to counter the dearth of new issues on the main market. Page 20

Premier Oil founder opposes director
Mr Roland Shaw, the outspoken founder of Premier Oil, is to vote against the re-election of one of the UK oil independent's directors at this week's annual meeting because of his concerns over possible conflicts of interest. Page 20

MEPC considers sell-off
Mr James Tuckey, chief executive of MEPC, is considering selling off parts of the £3.4bn ($5.50bn) group, the UK's third-largest property company, in the wake of failed merger talks with Hammerson, its smaller rival. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Italy's Finmeccanica chairman resigns

Iri proposes shake-up of loss-making conglomerate

By Paul Betts in Milan and Robert Graham in Rome

A simmering power struggle at Finmeccanica, one of Italy's biggest state-controlled industrial groups, erupted at the weekend with the surprise resignation of Mr Fabiano Fabiani, chairman of the Italian state-controlled defence, transport and high-technology conglomerate.

Mr Fabiani, who has led Finmeccanica for 12 years, resigned after the sudden decision of Iri, the state holding company which owns Finmeccanica, to propose a shake-up of the loss-making industrial conglomerate.

Mr Fabiani, one of the last the old guard of Italian state sector industrial barons, said his position had become untenable as a result of the Iri proposals. These would reverse the strategy Mr Fabiani has pursued in the past four years to transform Finmeccanica into an integrated industrial holding instead of a financial holding company controlling distinct industrial operating subsidiaries.

Mr Michele Tedeschi, the Iri chairman, has blamed Mr Fabiani for Finmeccanica's losses totalling L540bn ($314m) last year on sales of L13,883bn, and last week announced plans to turn Finmeccanica once again into a financial holding.

Iri argued that this would accelerate privatisation of the components of the conglomerate whose net debts rose to L5,113bn at the end of last year and is in need of a significant capital reconstruction.

Iri insisted that the decision would enhance a number of international collaborations which Finmeccanica was attempting to put together. These include a strategic alliance in the defence sector with the UK's GEC-Marconi group and participation of Alenia, Finmeccanica's aerospace subsidiary, in the European Airbus civil aircraft consortium.

However, there are widespread fears that Mr Fabiani's departure will destabilise Finmeccanica and its profitability.

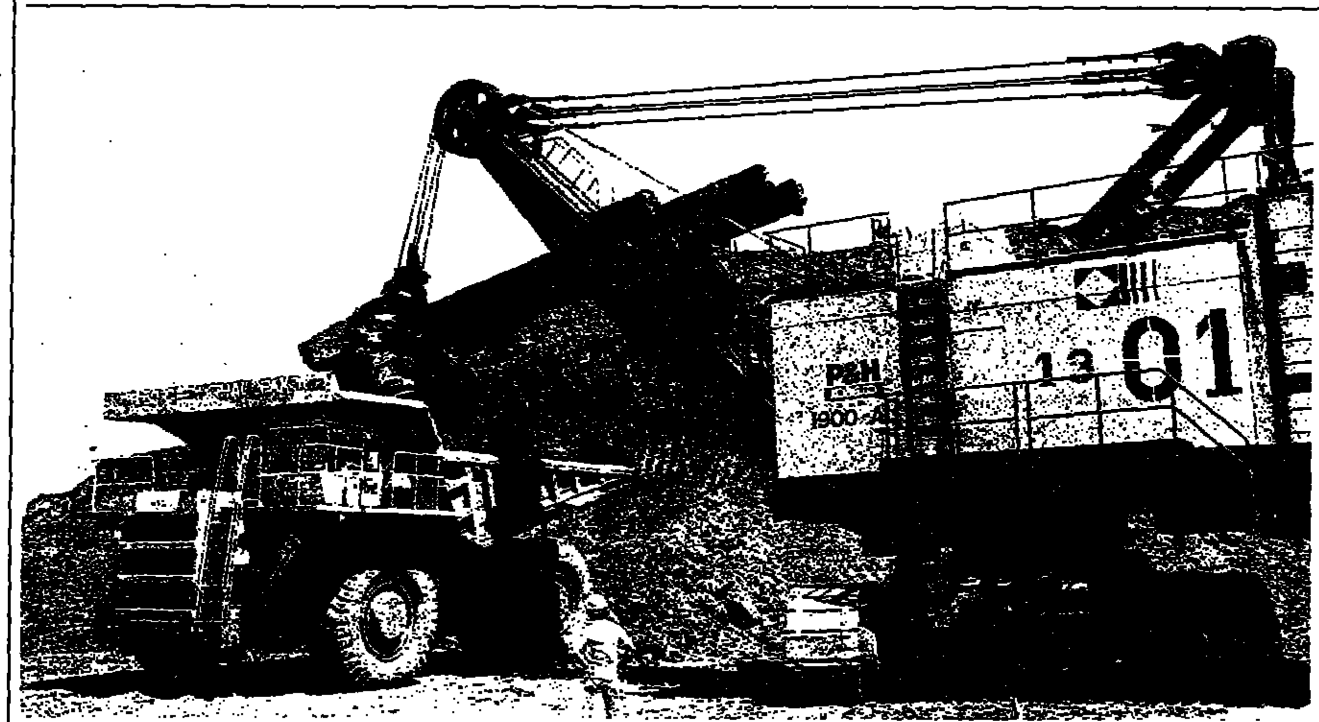
Apart from differences over the troubled conglomerate's strategic direction, the power struggle reflects the problems facing Iri itself. For decades, Iri was the country's dominant state sector holding company, controlling some of Italy's biggest banks and a number of industrial groups with manufacturing activities in cars, telecommunications, defence and aerospace.

The government's privatisation programme has shrunk Iri's role and Mr Tedeschi has been concerned to carve out a new role and identity for the state holding.

The centre-left government of Mr Romano Prodi, the prime minister and a former Iri chairman, appears to have been surprised by Mr Fabiani's resignation. There were no clear indications at the weekend on whether the government would side with the Iri management or Mr Fabiani.

Mr Fausto Bertinotti, the leader of the Refounded Communist party, on whose support the government depends, defended Mr Fabiani and urged the government to ask him to withdraw his resignation. However, Mr Fabiani said he would confirm his resignation at Finmeccanica's annual meeting on Wednesday.

Mr Fabiani last year resisted an attempt by Iri to split Finmeccanica's defence and civil activities.



Carajas, a mine belonging to Brazil's CVRD – the world's largest iron-ore producer which has been caught in a sell-off battle

Judge blocks Brazil privatisation

By Geoff Dyer in São Paulo

Latin America's largest ever privatisation was thrown into confusion over the weekend when a judge blocked tomorrow's planned auction of shares in Companhia Vale do Rio Doce (CVRD), the world's largest iron-ore producer.

The Brazilian government intends to appeal against the decision and said it was confident that the auction would go ahead tomorrow.

Mr Sergio Amaral, the president's spokesman, said: "We will take all the necessary measures. The government is convinced that there have been no irregularities in the privatisation process."

The government plans to sell a 40-45 per cent stake of voting shares in CVRD to a consortium with at least three members at a minimum price of R$3.3bn ($3.5bn). Its remaining 51 per cent stake will be sold later in the year. The government hopes to raise more than R$5bn in total.

Any significant delay would be a huge embarrassment to the Brazilian government which is committed to encouraging private investment.

However, the planned privatisation is opposed by a wide range of groups, including trade unions, artists and Brazil's Roman Catholic bishops.

Mr João Batista Gonçalves, a judge in São Paulo's sixth civil court, ruled that the auction should be suspended because the government had not given a sufficient explanation of the reasons for the sale in the tender documents.

He also said the privatisation rules had been broken because the government had not published the tender documents in national newspapers. The injunction was brought by a group of individuals led by a São Paulo university professor.

The planning ministry said the injunction had been expected and that the government had overcome similar legal obstacles to previous sell-offs.

Around 60 legal challenges have been lodged against the sale and the National Development Bank (BNDES), which oversees privatisations, has a team of over 100 lawyers posted around the country to deal with the court cases.

Two consortia have pre-qualified for Tuesday's auction at the Rio de Janeiro stock exchange. One is jointly led by Anglo American, the South African mining group, and Grupo Votorantim, the Brazilian conglomerate; . its other members are Caemi, the Brazilian mining company, two Brazilian pension funds and a group of 11 Japanese companies, led by Nippon Steel.

The other was put together by Companhia Siderúrgica Nacional (CSN), Brazil's largest steelmaker, and includes four Brazilian pension funds, Suzano, the paper and pulp company, Opportunity Asset Management, an investment fund, and NationsBank of the US.

Partners likely to decide against Andersen split

By Jim Kelly in London

The 2,700 partners of the Andersen Worldwide accountancy and consultancy empire are expected to decide against a demerger when they meet in Paris tomorrow, even though their leadership believes a radical restructuring is needed.

A split between Andersen Consulting, the management and IT consultancy, and Arthur Andersen, the audit, tax and business consultancy, is still possible, but the signs are that partners will step back from a clean break.

Instead, they are likely to back plans to restructure the two units, sharpen branding and review subsidies paid by Andersen Consulting to Arthur Andersen to defuse growing internal tensions.

At the heart of the organisation's problems is a conflict between Arthur Andersen's fledgling business consultancy – said to earn $500m a year – and Andersen Consulting's presence in management and IT consultancy.

The partners will be buoyed by the organisation's interim results, which showed growth of 18.6 per cent.

But as Andersen Consulting continues to grow faster than its founding sister firm, they will be concerned that the group structure appears outdated.

At the Paris meeting they will take part in "indicative votes" – using electronic voting systems at the Palais des Congres conference centre. Binding constitutional votes by computer link may follow a few weeks later.

Mr Larry Weinbach, retiring chief executive of Andersen Worldwide – the umbrella organisation which co-ordinates both units – headed a task force called Andersen 21 which has been looking at the options since 1995.

These have ranged from the demerger and flotation of Andersen Consulting, which would take 18 months to two years, to the creation of up to five stand-alone Andersen business units.

"The partners will have the opportunity to review and understand all the options we have been working on. My view is that our partners want to keep this firm together," said Mr Weinbach.

The meeting will mark the beginning of the process of finding Mr Weinbach's successor.

Andersen Consulting's managing partner Mr George Shaheen is reportedly in the running if the worldwide organisation survives until Mr Weinbach leaves in August.

"Many of the tensions in the organisation stem from ignorance," said an executive. "We understand each other better now. There is no chaos in Andersens – but there has been irritation on the margins. But we are massacring the opposition – why try a risky demerger?"

Talking peace, Page 21

ECGD breaks new ground

By Peter Montagnon in London

Britain's Export Credits Guarantee Department has broken new ground by backing a private sector telecommunications project in Manila which carries no supporting guarantees from either the Philippine government or from local banks.

The deal takes the ECGD a further step from its traditional practice of backing only projects which carry a state guarantee of the importing government. Instead, it, like other lenders, will depend on the proceeds of the project for repayment – a type of financing known to bankers as "non-recourse".

ECGD, with Export-kreditnämden of Sweden, is guaranteeing $82m of a $195m loan package designed to finance the development of a fixed line network by Smart Communications, the Philippines' largest mobile operator.

ECGD has backed five non-recourse deals in the power, water and natural gas sectors, but this is the first such deal for telecoms. It said it was considering about 10 other non-recourse deals and expected to agree four or five during 1997.

It said it regarded the Smart deal as a landmark. A £66m ($106m) credit to pay imports of equipment from Motorola and Nokia by Total Access Communications in Thailand last year came close to meeting the definition of non-recourse, but involved undertakings that offset ECGD's risk.

The deal, which took 18 months to negotiate, puts ECGD "a few steps ahead" of the large European export credit agencies such as Coface and Hermes, said Mr Pim van der Velde of ABN Amro Bank, which arranged the loan package. Though export credit agencies in Sweden and Finland also have a record in non-recourse telecoms financing, the main continental European agencies have not.

Export credit agencies will have to move increasingly into this type of finance, Mr van der Velde said.

"If you look at the projects that have to be financed, not only in telecoms but in sectors like oil and gas, you have to wonder whether banks' pockets are deep enough," he added.

ECGD was approached to back the deal because some of the equipment supplied by Ericsson of Sweden will be manufactured in the UK. Also, it is prepared to offer 100 per cent cover for political risks.

Doubts on Internet flotations

By Paul Taylor in London

Only four out of 25 recent Internet-related flotations in the US are trading above their offer price, according to Broadview Associates, the specialist IT investment bank.

Broadview's figures highlight growing scepticism among investors about the performance and potential of young companies connected with the Internet.

Internet initial public offerings have performed substantially worse than both the market as a whole and the IT sector. The Nasdaq index rose about 25 per cent and has been flat since the start of this year.

"Many Internet firms do not yet have enough product or service differentiation to rise above the general 'noise' in the marketplace," said Mr Victor Basta, managing director of Broadview's London operations. "At the same time, investors and analysts are demanding a more defensible 'story' than just 'we are an Internet company'."

Broadview believes there is an increasing focus on making money, or demonstrating a clear path to profitability by "owning a market sector".

Of the four companies trading above their issue price, two – Netscape and Yahoo – have moved from embryonic product development to profitability, and have established positions as leaders in their fields. CheckPoint, the Israeli software vendor, has become the generally acknowledged market leader for "firewalls" to enhance the security of computer networks.

CheckPoint's shares have gained 36 per cent since flotation, compared with a 79 per cent gain for Netscape, 113 per cent for Yahoo! and a relatively modest 9 per cent gain for C-Net, the Internet media group.

In contrast, 13 companies including CompuServe, the consumer online information group, Vocaltec, the Internet telephony group, and Excite, the Internet search company, have seen their shares drop by more than 50 per cent.

"A focus on profitability, or at least a very clear path to profitability, is in line with the development of the Internet marketplace as a whole – as the Internet sector begins to mature, investors become more focused on which firms are going to be clear winners," said Mr Basta.

COMPAÑÍA GENERAL DE COMBUSTIBLES S.A.

U.S.$50,000,000

8.5 per cent. Notes due 1999

Notice of a Meeting of Noteholders

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders (the "Noteholders") of the U.S.$50,000,000 8.5% Notes due 1999 (the "Notes") of Compañía General de Combustibles S.A. (the "Issuer") will be held at Avenida Alicia Moreau de Justo 400, (1107) Buenos Aires, Argentina on 12th May, 1997 at 3:00 p.m. (Buenos Aires time). The Meeting will be held to consider and, if appropriate, to pass a resolution which will be proposed as an Ordinary Resolution in accordance with the provisions scheduled to the fiscal agency agreement relating to the Notes dated 22nd February, 1994 (the "Fiscal Agency Agreement") between the Issuer, Banque Paribas Luxembourg as fiscal agent and principal paying agent (the "Fiscal Agent") and Banque Paribas (Paris), Swiss Bank Corporation (Basle), The Bank of New York S.A. (Buenos Aires) and Morgan Guaranty Trust Company of New York (Brussels) as paying agents (together with the Fiscal Agent, the "Paying Agents").

Background to the Resolution

Pursuant to a duly-convened meeting held on 17th March, 1997, the shareholders of the Issuer approved, subject to the adoption by the Noteholders of the proposed resolution, the transfer of all of the Issuer's assets related to the refining and marketing of petroleum products and other minor assets not associated with oil and gas activity (the "Assets") to a newly-created company to be established by the Issuer's shareholders, including its parent-company, Sociedad Comercial del Plata S.A. ("SCP"). The Assets consist of all of the Issuer's shareholding interests in the following: Combustibles Argentinos S.A., Compañía Argentina de Solventes S.A., Compañía General de Combustibles Int. Corp., Comdec S.A., Destilería Argentina de Petróleo S.A., Destilería Argentina de Petróleo Lubricantes S.A., Eg3 S.A., Eg3 Asfaltos S.A., Gas Austral S.A., Gastrader S.A., Interpetrol S.A., Parafina del Plata S.A., Petrodisa S.A., Refinería de San Lorenzo S.A. and Salado Viejo S.A., along with the Issuer's right to operate certain service stations under the Eg3 S.A. franchise. The Issuer has elected to transfer the Assets in order to focus on core activities and to strengthen its marketability for the purposes of conducting a private or public offering of its shares of common stock at some future time.

The Issuer has decided to seek the approval to transfer such assets by Ordinary Resolution of a meeting of Noteholders. For technical reasons, the proposed resolution takes the form of an authorization and waiver of any future right to declare an event of default. As added security to the Noteholders, the new company receiving title to the Assets (the "Guarantor") will execute a deed of guarantee (the "Deed of Guarantee") in favour of the Noteholders. The Deed of Guarantee will, among other things, unconditionally guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes for so long as the Notes remain outstanding. Upon the occurrence of certain events described below, SCP will become jointly and severally liable for the obligations of the Guarantor under the Deed of Guarantee or assume all such obligations entirely.

The Deed of Guarantee will, however, allow the Guarantor and SCP to rescind, upon five days' notice to the Noteholders (such notice to be published for one day), the guarantee contained therein if, at any time, (i) through the consummation of a private or public offering of the Issuer's stock, an irrevocable capital contribution or otherwise, the Issuer's consolidated net worth after giving effect to the transfer of the Assets increases by at least Pesos 78.0 million over the Issuer's consolidated net worth reported at 31st December, 1996 (as adjusted to give effect to the transfer of the Assets) and (ii) the Issuer's ratio of total consolidated liabilities to consolidated net worth is less then 1:1. The Issuer's consolidated net worth and total consolidated liabilities, for purposes of determining whether or not the conditions for rescission of the guarantees contained in the Deed of Guarantee have arisen, will be determined by reference to the Issuer's most recent published consolidated financial statements prepared in accordance with generally accepted accounting principles as applied in Argentina ("A-GAAP"). The Issuer's consolidated net worth reported at 31st December, 1996 under A-GAAP after giving effect to the transfer of the Assets was approximately Pesos 104.9 million.

The Issuer shall further seek the Noteholders' acceptance of the additional benefit of SCP's obligation under the Deed of Guarantee to become jointly and severally liable for the obligations of the Guarantor under the Deed of Guarantee if any of the Assets or proceeds from the sale thereof are transferred to SCP (by merger, dividend or otherwise). In addition, the Issuer shall seek the Noteholders' consent to the exclusive assumption by SCP of all obligations contained in the Deed of Guarantee if all of the Assets or all of the proceeds from the sale thereof are transferred to SCP by merger (including merger of the Guarantor into SCP), dividend or otherwise.

Copies of the form of the Deed of Guarantee are available at the specified offices of the Paying Agents.

The Proposed Resolution

The Ordinary Resolution to be proposed at the Meeting will be in the following form:

"That this meeting (the "Meeting") of the holders (the "Noteholders") of the U.S.$50,000,000 8.5% Notes due 1999 (the "Notes") of Compañía General de Combustibles S.A. (the "Issuer") hereby:

1. resolves that the transfer by the Issuer of all or substantially all of its assets related to the refining and marketing of petroleum products and other minor assets not associated with oil and gas activity (comprising all of its shareholding interests in Combustibles Argentinos S.A., Compañía Argentina de Solventes S.A., Compañía General de Combustibles Int. Corp., Comdec S.A., Destilería Argentina de Petróleo S.A., Destilería Argentina de Petróleo Lubricantes S.A., Eg3 S.A., Eg3 Asfaltos S.A., Gas Austral S.A., Gastrader S.A., Interpetrol S.A., Parafina del Plata S.A., Petrodisa S.A., Refinería de San Lorenzo S.A. and Salado Viejo S.A., along with the Issuer's right to operate certain service stations under the Eg3 S.A. franchise) (the "Assets") to a newly-created company (the "Guarantor") to be established by the Issuer's shareholders, including its parent-company, Sociedad Comercial del Plata S.A. ("SCP"), be and is hereby approved (subject to the execution by the Guarantor and SCP of a deed of guarantee (the "Deed of Guarantee") in favour of the Noteholders under which, among other things, the Guarantor unconditionally guarantees the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes for so long as the Notes remain outstanding) and that any related event specified in Condition 8 (Events of Default) of the Terms and Conditions of the Notes which shall occur in the future as a result thereof be and is hereby waived;
2. accepts the benefits of the Deed of Guarantee to be executed by the Guarantor and SCP in substantially the form which was made available to Noteholders at the specified offices of the Paying Agents as of 24th April, 1997 until the date of the Meeting;
3. accepts (a) the additional benefit of SCP's obligation under the Deed of Guarantee to become jointly and severally liable for the obligations of the Guarantor under the Deed of Guarantee, if any of the Assets or proceeds from the sale thereof are transferred to SCP (by merger, dividend or otherwise) and (b) the exclusive assumption by SCP of all obligations contained in the Deed of Guarantee, if all of the Assets or all of the proceeds from the sale thereof are transferred to SCP by merger (including merger of the Guarantor into SCP), dividend or otherwise; and
4. notes that the Deed of Guarantee permits the Guarantor and SCP to rescind, upon five days' notice to the Noteholders (such notice to be published for one day), the guarantees contained therein if, at any time, (i) through the consummation of a private or public offering of the Issuer's stock, an irrevocable capital contribution or otherwise, the Issuer's consolidated net worth after giving effect to the transfer of the Assets increases by at least Pesos 78.0 million over the Issuer's consolidated net worth reported at 31st December, 1996 (as adjusted to give effect to the transfer of the Assets) and (ii) the Issuer's ratio of total consolidated liabilities to consolidated net worth is less than 1:1. The Issuer's consolidated net worth and total consolidated liabilities, for purposes of determining whether or not the conditions for rescission of the guarantees contained in the Deed of Guarantee have arisen, will be determined by reference to the Issuer's most recent published consolidated financial statements prepared in accordance with generally accepted accounting principles as applied in Argentina."

Notice and Quorum

The Issuer hereby gives both the first and second notices (as required by Condition 11(a) (*Meetings of Noteholders, Notice and Quorum*) of the Terms and Conditions of the Notes) of the Meeting and, if a quorum is not present within one hour from the time fixed, its continuation. The quorum initially required for the Meeting is two or more persons holding Notes or voting certificates or being proxies and holding or representing 75% in principal amount of the Notes for the time being outstanding. If within one hour from the time fixed for the Meeting a quorum is not present then the Meeting may continue so long as two or more persons are present holding Notes or voting certificates or being proxies and holding or representing not less than 25% in principal amount of the Notes for the time being outstanding.

Voting and Attendance

The Issuer will demand a poll at the Meeting, with the consequence that the Ordinary Resolution to be proposed at the Meeting will be passed if carried by the affirmative vote of Noteholders of at least a majority in the aggregate principal amount of the Notes present or represented at the Meeting, provided, however, that such decision shall be approved by the Noteholders of not less than 25% of the aggregate principal amount of the Notes then outstanding. A Noteholder wishing to vote at the Meeting must *either* (i) attend the Meeting and produce his Note *or* (ii) attend the Meeting and produce a voting certificate in respect of his Note *or* (iii) appoint a proxy by means of a block voting instruction. A Noteholder may obtain a voting certificate from a Paying Agent or require a Paying Agent to issue a block voting instruction by depositing his Note with (or to the order of) such Paying Agent not later than 48 hours before the time fixed for the Meeting. Voting certificates and block voting instructions shall be valid until the relevant Notes are released pursuant to the terms set forth in Schedule 3 to the Fiscal Agency Agreement and, until then, the holder of a voting certificate or (as the case may be) the proxy named in a block voting instruction shall, for all purposes in connection with any meeting of Noteholders, be deemed to be the holder of the Notes to which that voting certificate or block voting instruction relates and the Paying Agent with which (or to the order of which) such Notes have been deposited shall be deemed for such purposes not to be the holder of the Notes.

The Fiscal Agency Agreement

Copies of the Fiscal Agency Agreement and of the form of the Deed of Guarantee are available for inspection by the Noteholders at the specified offices of the Paying Agents at each of their addresses set forth below.

Fiscal Agent and Principal Paying Agent
Banque Paribas Luxembourg
10A Boulevard Royal
L-2093 Luxembourg

Paying Agents

The Bank of New York S.A.
25 de Mayo 199
1002 Buenos Aires
Argentina

Banque Paribas
3 Rue d'Antin
75002 Paris
France

Swiss Bank Corporation
Aeschenvorstadt 1
CH-4002 Basle
Switzerland

Morgan Guaranty Trust Company of New York
35 Avenue des Arts
B-1040 Brussels
Belgium

Noteholders with any questions regarding this notice are advised to contact Banque Paribas Luxembourg, attn: Dept. Opérations de Marche, at the address listed above, or the Issuer at its offices located at Alicia Moreau de Justo 400, (1107) Buenos Aires, Argentina.

Dated 24th April, 1997.

Given by: The Board of Directors of Compañía General de Combustibles S.A.

COMPANIES AND FINANCE

Giddings faces bid from Harnischfeger

By Richard Tomkins in New York

A battle broke out between two of the biggest US manufacturers of factory equipment at the weekend when Harnischfeger Industries announced it was launching a $631m hostile takeover bid for Giddings & Lewis.

Harnischfeger Industries, based in Milwaukee, Wisconsin, makes papermaking machinery and materials handling equipment, much of it for the mining industry. Giddings & Lewis, based in Fond du Lac, Wisconsin, is the biggest US manufacturer of machine tools.

Harnischfeger said it was launching a $19-a-share cash tender offer for Giddings. The offer, made after the market closed on Friday, represents a premium of nearly 40 per cent to Giddings' closing price of $13⅝.

The Giddings board urged shareholders not to act until it reviewed the offer. It has retained Credit Suisse First Boston to "explore all strategic alternatives". Harnischfeger is advised by Lehman Brothers.

Harnischfeger, which had sales of over $2.8bn last year, has been enjoying a period of strong order and sales activity in its main business areas. In contrast, Giddings has been struggling: last year it suffered a loss of $12.5m on revenues of $763m.

Giddings is a big supplier in the US and in recent years it has had problems with cost overruns and malfunctioning equipment. In last year's fourth quarter it took a pre-tax charge of $84m for adjustment to contracts with General Motors and Chrysler.

Last year, the Washington-based Council of Institutional Investors, which represents big public pension funds, put Giddings on its list of companies with the worst shareholder returns over the previous five years.

The chief executives of both companies had started discussions last week about a business combination, but talks broke up on Friday without an agreement. Harnischfeger said Giddings had expressed an interest in working closely with Harnischfeger, but only if Harnischfeger agreed to a standstill agreement under which it would not try to acquire Giddings for two years.

The video of 'The Hunchback of Notre Dame' contributed to better-than-expected earnings

Disney to merge its home video divisions

Walt Disney is to merge its domestic and international home video divisions into a single unit, in a further indication of plans for increased globalisation of its operations, writes Christopher Parkes in Los Angeles.

Home video, which has emerged as one of the entertainment group's most profitable branches in the past five years, will be run by Mr Michael Johnson, current head of the international arm.

Ms Ann Daly, head of the domestic division, will leave in September when her contract expires, the company said.

The group is understood to be considering breaking with the Hollywood tradition of phased introductions of films – starting in the US market before releasing internationally. A move to simultaneous worldwide openings would demand closer integration of distribution arrangements of both films and video spin-offs.

Although Disney does not release financial data from individual business units, its drive to sell home videos directly to consumers has made it the undisputed market leader at home and abroad. Animation successes such as *Toy Story* and *The Hunchback of Notre Dame*, both recent screen hits, contributed to better-than-expected first-quarter earnings reported last week.

NCR launches range for commerce Internet

By Paul Taylor in London

NCR, the US-based computer group, will today unveil a range of products to address the fast-growing Internet-based electronic commerce market.

The new strategy, developed with partners including Netscape, Microsoft, Computer Associates and Cisco Systems, is intended to help NCR's customers build reliable corporate intranets – internal networks built around Internet technologies – and "extranets" that serve as a foundation for Internet electronic commerce.

"Businesses are struggling to find ways to make money using Web technologies," said Mr Lars Nyberg, NCR chief executive. "Our customers tell us they do not want to create new infrastructures or business processes, but rather use the Internet to extend processes that are in place to maximise their business advantage."

NCR's new products include innovative Web data warehouse software which will allow corporate intranet users as well as customers, suppliers and business partners to retrieve information from a company's database. Together with the group's WebMining tools, the software will enable users to spot trends and analyse data.

Mr Mark Hurd, NCR vice-president for marketing, said the Web-based software will "let users have the opportunity to get to any information they want". For example, he said it could be used to enable a telephone company's customers to conduct an on-line search of their past calls.

Meanwhile NCR claims its Web Transaction Broker will "open the door to electronic commerce," including the use of bank automated teller machines and multimedia kiosks.

The new products also include an entry-level Web server designed for corporate intranets, web servers for business critical applications and Internet services.

INTERNATIONAL NEWS DIGEST

BHW Holding sets issue price

BHW Holding, the German building finance group, has fixed the price of its new equity issue – the largest in Germany this year – at DM26 per share. The share offer, which will give the German stock market its first purely building finance company, was more than 14 times subscribed, the three banks jointly arranging the deal announced. The banks are Deutsche Morgan Grenfell, Dresdner Kleinwort Benson and Credit Suisse First Boston. The issue will comprise 47m new shares with a further 7m available under the greenshoe – or oversubscription – procedure. This means the company could raise as much as DM1.4bn ($812m).

During the bookbuilding period, which began on April 14 and closed on Friday, the price range of the shares was set at between DM22 and DM28. BHW said the decision to set the share price at DM26 was "a sign of the extremely strong demand from investors in Germany as well as from institutional) investors abroad".

About 80 per cent of the issue would be placed in Germany, the arranging banks said. Institutional investors are expected to buy about 65 per cent of the issue, with private investors taking the remainder. The new shares will be quoted in Frankfurt and Hanover from today. *Graham Bowley, Frankfurt*

SingTel shares at all-time low

Shares in Singapore Telecommunications, the city-state's largest listed company, fell to an all-time low on Friday, mainly because of the success of a new competitor in the local mobile telephone market. SingTel closed down 3 cents, or 1.1 per cent, at S$2.51.

The decline came after MobileOne, a joint venture between Hong Kong Telecom, the UK's Cable and Wireless and two local companies, announced it had captured 35,000 mobile phone subscribers – or about 10 per cent of the market – in just 24 days. Investors were particularly unsettled because MobileOne is SingTel's first local competitor. SingTel's monopoly in the mobile and pager market was lifted on April 1 but will keep its fixed-line monopoly until 2000.

SingTel announced cuts on Thursday of up to 20 per cent on its mobile charge rates to prevent losing market share. But the move failed to turn round a gradual share price decline from a record high of S$4.10 in June 1996. The shares are now nudging the S$2.50 at which the company made its second public share offer last year. *James Kynge, Singapore*

US West unit beats forecast

US West Communications, the regional telephone group, maintained last year's rate of profits growth in the first quarter of 1997, topping earnings forecasts of around 64 cents a share with an adjusted 68 cents, compared with 61 cents last time.

The company, part of US West, which also controls US West Media, the cable television operator, said net income rose 13.5 per cent to $328m, although revenues improved only 5 per cent to $2.6bn. It attributed slowing growth in operating costs to an increase in operating margins to 25 per cent. US West recently agreed to sell its wireless telephone business to Airtouch, a San Francisco-based specialist for $2.3bn in stock plus $2.2bn of assumed debt. *Christopher Parkes, Los Angeles*

Dassault sharply ahead

Dassault Aviation, which is expected to be merged soon with Aerospatiale to create a single French aircraft manufacturer, has reported a sharp advance in annual income. Net group profit more than doubled, from FFr526m a year earlier to FFr1.16bn ($197m) in 1996. The increase was partly attributed to a gain arising from last year's listing of Dassault Systèmes, the computer-aided design specialist. Turnover rose from FFr11.6bn to FFr13bn. *David Owen, Paris*

Metro Pacific jumps 122%

Metro Pacific, the Philippine flagship of Hong Kong-based First Pacific, pleased analysts with a 122 per cent jump in first-quarter profits to 201m pesos ($7.6m).

The increase, from 90.5m pesos last year, was led by Fort Bonifacio Development Corporation, a joint venture property project in Manila, and Smart Communications, the telecoms group which has recently emerged as the country's leading cellular phone operator. *Justin Marozzi, Manila*

Kellogg decline continues

Net profits at Kellogg, the US breakfast cereal maker, plunged 23 per cent, from $206.1m to $160.6m, in the first quarter as the company continued to suffer the effects of a breakfast cereal price war in the US. Revenues fell 5 per cent to $1.7bn, while earnings per share declined 20 per cent to 77 cents, a cent below analysts' forecasts.

The downturn was the latest in a series of profit declines that followed Kellogg's decision last June to slash prices in response to other manufacturers' cuts. *Richard Tomkins, New York*

HK accountancy merger

Deloitte Touche Tohmatsu, one of the world's Big Six accounting and consultancy organisations, has merged with one of Hong Kong's leading practices, Kwan Wong Tan & Fong. The new firm claims to be the territory's largest certified public accounting practice, with 2,000 staff and 70 partners and directors in Hong Kong. *Jim Kelly*

Pacific Ports up 4% in debut

Shares in Pacific Ports, the port operating arm of Hong Kong's Fairyoung Holdings, rose on their debut on Friday, climbing more than 4 per cent from their issue price of HK$3.09. Proceeds from the share issue, estimated at more than HK$580m (US$74.9m), will be used to fund investments in ports and related projects in China. The company holds the development rights for five port infrastructure projects. *John Ridding, Hong Kong*

COMPANIES AND FINANCE

Talking peace at Andersen

The group is attempting to resolve the tensions that have developed between its consultancy and accountancy divisions

Andersen Worldwide, the umbrella organisation for the Andersen accounting and consultancy empire, recently earned $1bn in a single month and took on its 100,000th member of staff – a performance that puts it in a class of its own.

The problem is – which class? Should it be compared with Big Six accountancy firms such as Ernst & Young, KPMG and Coopers & Lybrand or with business re-engineering, consultancy and outsourcing giants such as EDS, IBM, and McKinsey?

The answer is both, as Andersen is two businesses – Andersen Consulting and Arthur Andersen. The organisation's 2,700 partners meet today in the Palais des Congrès in Paris to decide if the tensions this has produced are creative or destructive.

One option is a split and flotation for Andersen Consulting. In the past, the organisation has not shunned radical reforms. Since its foundation in 1913 in Chicago, it has reinvented itself twice. In 1989 it established two separate business units – Andersen Consulting and Arthur Andersen.

These changes came against a background of success which shows little sign of diminishing. Between 1990 and 1995, fee income for the whole group more than doubled, from $3.4bn to $8.1bn.

Measured against the rest of the Big Six accountancy firms, the combined business units lead the world: latest figures gave them revenues of $9.5bn – up 17 per cent year on year. The nearest rival was KPMG with $8.1bn, up 8 per cent.

So what can be wrong? Andersen Consulting is so buoyant it is proving difficult to contain. It pursues the goal of having fewer clients but doing more for its big ones – such as BP, Shell, Microsoft and Du Pont. It resents being judged by the market as the junior branch of a Big Six firm. "It puts us in a pigeon hole which we do not want to be in," said one senior partner.

Meanwhile Arthur Andersen is spreading its wings. The traditional core business of the Big Six firms – statutory audit – is under constant pressure and increasingly viewed as a commodity to be bought at the lowest price. Clients have also become wary of awarding to its auditors lucrative "add-on" services such as tax advice or business re-engineering.

There is growth in the accountancy firms – in human resource management, internal controls and corporate finance, as well as in business consulting, re-engineering and process development. But, as Arthur Andersen moved into the latter markets, it started competing with its own sister firm.

The conflicts have become acute and relationships between the sister organisations are bad, although executives insist the problem is limited to three or four of the 80 countries in which the organisation operates. Unfortunately, one is the US, where hostilities have broken out in half-a-dozen cities. In some cases the two units have separate offices.

These problems have focused partners' attention on the organisation's arcane formulas for sharing costs around the world and allowing capped income flows between the two business units – currently rumoured to be $100m in favour of Arthur Andersen.

The disparities do not stop there: Arthur Andersen has two-thirds of all partners but only half the revenues. While the accountants suspect Andersen Consulting's business may be cyclical and due for a fall, there is still the potential bonanza of IT contracts likely to flow from companies facing the millennium problem affecting computer systems.

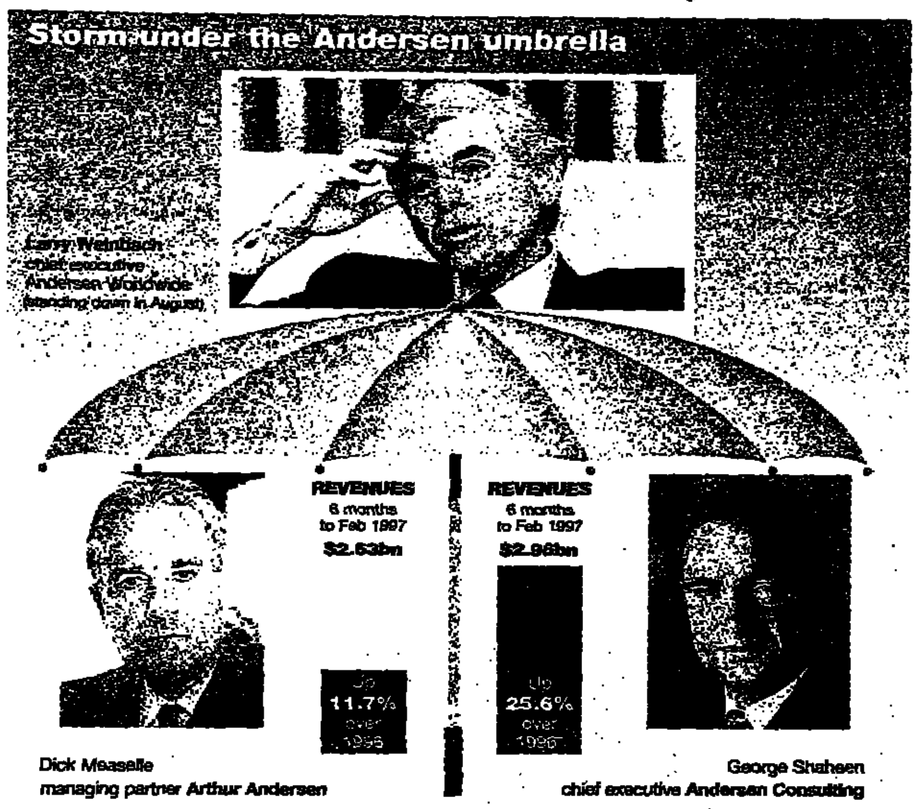
In 1995, growing tensions spawned an attempt to find a solution. Andersen 21 – a top-level strategy group – was formed with Mr Larry Weinbach, chief executive of Andersen Worldwide at its head. It is understood that its first preferred option was to set up five business units, continuing the success of the Andersen Consulting spin-off.

But senior partners are understood to have bridled at crunching an organisation of Andersen's complexity from two units to one and then back to five. Mr Weinbach is now standing down and the choice of a successor – which begins tomorrow – will signal where the future lies.

Ultimately the decision will be about branding. The name Andersen is still a mighty asset. Paris may soften hearts and lead the partners to reflect that the real challenge lies in world markets where there is still plenty of room for growth without stepping on each other's toes.

Jim Kelly

Storm under the Andersen umbrella



Dick Measelle
managing partner Arthur Andersen

George Shaheen
chief executive Andersen Consulting

Andersen Worldwide 1997*

Revenues by region ($m)	
Americas	2,930.1
Europe, Middle East, India & Africa	2,047.3
Asia/Pacific	613.4
Productivity ($'000)	
Revenues per partner	1,986.8
Revenues per practice person	73.5

Worldwide personnel	
Partners	2,731
Other personnel	96,846
Total	99,577

*6 months to February

Source: Company report

Mitsubishi Motors profits hit

By Michiyo Nakamoto in Tokyo

Mitsubishi Motors will take an extraordinary valuation loss of Y43.1bn ($341m) on its investment in its US sales subsidiary and wipe out losses the company has accumulated over the past few years.

The Japanese carmaker said cumulative losses at Mitsubishi Motor Sales of America, which had seen its financial situation deteriorate amid fierce competition, had come to $780m including restructuring costs and reserves related to its credit subsidiary.

Mitsubishi, which expects MMSA to return to the black next year following measures to strengthen the US operations, decided to improve the company's financial basis by increasing its capital.

It said that the valuation loss would reduce parent net profits by 27 per cent to Y15bn. The new forecast is significantly lower than the Y21bn forecast at the interim. The company is selling securities to cover some of the valuation loss.

MMSA suffered from the sharp rise of the yen, particularly in 1995, which depressed sales of Mitsubishi vehicles in the US. As a result of the yen's surge, MMSA was forced to rely more than usual on leasing, which is generally less profitable than sales to consumers.

At the same time, a lack of commercial light vehicles, which had become popular in the US, depressed Mitsubishi's North American sales. In 1996 sales fell 5.5 per cent to Y187,126 units, compared with 198,063 units in the previous year and 230,279 units in 1994.

Mitsubishi believes that although it will take the sales operations some time to become profitable, measures to improve the US business will enable the manufacturing operations to return to the black from this fiscal year. The company, which recently introduced a recreational vehicle in the US, is planning to introduce further models, increase production of higher margin vehicles and cut costs.

Substantial foreign currency gains are expected to add Y6.9bn to operating profits. Recurring pre-tax profits for the year to March 1997 are forecast at Y58bn, rather than Y56bn while sales are forecast to be Y2,585.9bn, rather than a previously forecast Y2,560bn.

Report on Busang test delayed

By Bernard Simon in Toronto

Bre-X Minerals is expected to publish the results of an independent audit of the disputed Busang gold property in Indonesia either this Friday or next Monday.

Strathcona Mineral Services, the Canadian consultancy co-ordinating the audit, said it planned to deliver its report to Bre-X at the end of the week. The report was scheduled for tomorrow.

Bre-X is preparing an elaborate press conference in Toronto in the hope that the audit points to a worthwhile discovery. A more subdued announcement is likely if doubts about Busang are confirmed.

Busang appeared to be one of the richest gold discoveries in recent history until New Orleans-based Freeport-McMoRan, a prospective partner in the deposit, said last month it had found insignificant quantities of the metal in its own drill samples.

Bre-X shares, which had a market value of C$6.8bn (US$4.9bn) at the height of investor excitement last year, dropped to about C$3.30 in Toronto last Friday, giving them a total value of C$780m.

Mr Walsh has stood by Bre-X's earlier findings in the face of widespread suspicion that samples from Busang were tampered with.

Strathcona supplied 175 samples of crushed ore from six holes to laboratories in Australia, Canada and Indonesia. Two assay techniques – fire assay and bottle cyanide leach – are being used for each sample.

MARKETS: This Week

NEW YORK By Richard Tomkins

Worries about the interest rate outlook brought a decline in stock and bond prices for the third consecutive session on Friday, taking the Dow Jones Industrial Average back down to 6,738.87 and pushing the yield on the 30-year long bond up to 7.135.

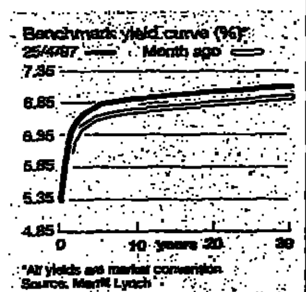
The stock market's downturn contrasted sharply with its performance on Tuesday, when excitement over the corporate sector's strong quarterly earnings helped produce the second-biggest points rise in the Dow's history.

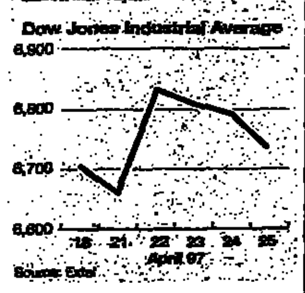
However, it was explained by the realisation that the strong earnings growth was all the more reason for the Federal Reserve to continue to push up interest rates to prevent the economy overheating.

Analysts think this week's data will only confirm further tightenings in monetary policy are inevitable, with the signs pointing to a rise of 25 basis points at the Federal Open Market committee's meeting on May 20.

Highlights of the week's heavy economic calender will be tomorrow's publication of the first quarter employment cost index, Wednesday's figures for first-quarter gross domestic product, and Friday's data for April employment.

The consensus forecast for the employment cost index is for an increase of 0.98 per cent, marking a disturbing acceleration from the previous quarter's 0.8 per cent. The GDP figures are expected to show that the economy surged ahead by 4 per cent, and the employment report is expected to show that employment shot up by another 198,000 jobs in April.





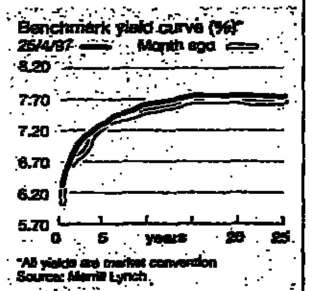
LONDON By Steve Thompson

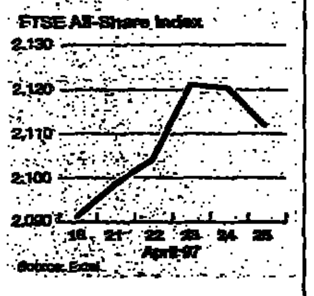
Thursday's general election is the overwhelming focus of the stock market's interest this week. Barring any last substantial last-minute shifts in the opinion polls, such as last week's ICM reading, which showed the Labour lead over the Conservatives shrinking to around 5 points, the stock market still expects a Labour victory.

Once the election result is known, the market will have to deal with the consequences. A Labour win would see attention switch to the next big event, the promised Budget in June. Whatever the outcome, a rise in interest rates is predicted by just about every economic commentator. The first post-election meeting between Mr Eddie George, governor of the Bank of England and whoever occupies 11 Downing Street, takes place on May 7.

The economics team at Goldman Sachs, the US investment bank, said an increase in interest rates following the election "seems inevitable, the only question is whether it is 25 or 50 basis points; on balance we think the former is more probable with another 25 basis points coming shortly afterwards".

Domestic economic news is in short supply, but London will have to keep a weather eye on the US, where the monthly employment report is due on Friday. Company news is also sparse. Sears, the retailing group, reports preliminary figures on Tuesday, while BAT's first-quarter results are expected on Wednesday and Shell Transport's on Thursday. Unilever reports on Friday. One worry for the market is the spate of currency-related profit warnings.





FRANKFURT By Graham Bowley

German shares fell on Friday amid speculation that the US Federal Reserve might raise interest rates next month. The DAX 30-share index closed down 20 points on the day at 3,377.27, but still managed to stay above the previous week's close.

Domestic attention this week will focus on the new DM1.5bn equity issue by BHW Holding, the German building finance group.

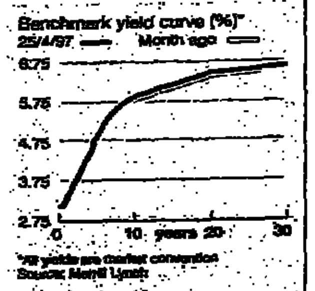
Bookbuilding for the issue – which will be Germany's largest issue so far this year – closed on Friday. The issue price, to be confirmed today, is expected to be DM26 – in the top half of the DM22-DM28 range set during the bookbuilding period.

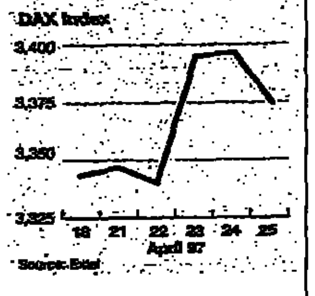
With few important German economic data releases or company announcements expected this week, general market sentiment is likely to be dominated by events abroad, especially in the US, where a slew of economic data releases is expected.

Analysts think events in France could also be influential. According to some, the increasing likelihood of a socialist victory in the French elections could weigh on German government bonds, since it increases the uncertainty about monetary union starting on time.

Last week Germany's six leading economic institutes forecast a German budget deficit of 3.2 per cent of gross domestic product in 1997, casting doubt on the country's chances of meeting the criteria for entry into the single currency.

Attention this week may also focus on the tax reform talks after signs over the weekend that both the government and opposition parties may be prepared to be more conciliatory.





TOKYO By Gwen Robinson

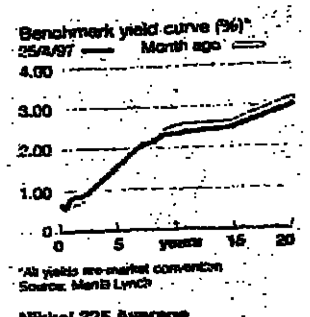
Markets are likely to slow this week as Japan enters its annual "Golden Week" holiday period and many domestic investors take a break. Trading will only cease for two official national holidays, Tuesday and the following Monday, May 5. But many companies, particularly in the manufacturing sector, take the opportunity to halt operations.

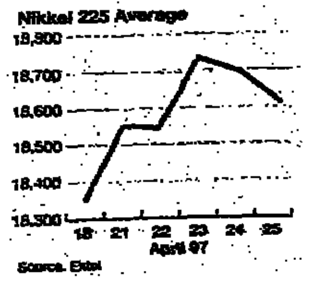
The stock market fell on Friday, with the Nikkei 225 average down 85.21 at 18,612.86, although the index was up about 310 points from the previous week's close. Friday's fall of 85.21 was led by heavy selling of issues in which Nissan Mutual Life Insurance has substantial stakes. The government on Friday ordered the insurer to halt all operations except servicing current customers, the first such move in the postwar period.

Analysts said the news may temporarily dampen investor sentiment, serving as a fresh reminder of the persistent bad-loan problems of Japan's financial sector. In the longer term, however, the forced closure will only reassure investors that the government is serious about overhauling the sector and that consolidation is proceeding at a rapid pace.

That view drove down Japanese government bonds on Friday, in spite of fresh indications that the central bank will continue to hold down interest rates for the foreseeable future.

Data published last week by Japan's financial authorities suggest that economic growth is likely to slow in the April-to-September first half, while the key money supply aggregate, M2 plus certificates of deposit, will stay on a downward trend.





COMMODITIES By Gary Mead

Copper comes under spotlight

This week will be a testing time for several of the world's key metals. Two market-sensitive questions hang over Russia: will the world's biggest exporter of palladium finally unblock bureaucratic obstacles concerning palladium exports to Japan? And will Mr Anatoly Chubais, Russia's finance minister, have anything to report from a working group he asked to consider deregulation of Russia's gold market?

But the more immediate issue dominating the thoughts of metal traders is – will copper's current backwardation continue to widen? On the London Metal Exchange the cash price for copper skittered up by 9.5 per cent in the course of last week, with the three-month backwardation – the premium of the spot price over that for the three-month future – bursting from $40 a tonne a week ago today to more than $200 a tonne by last Friday.

Specialists say that some of the backwardation is due to a technical squeeze but point to a series of fundamental matters behind the market's apparent physical tightness. LME copper stocks were down 4.8 per cent (7,275 tonnes) at the end of last week, making a total drop of 71,325 tonnes since the end of February. However, total LME stocks of copper at the end of last week's business were still 145,200 tonnes, 19,850 tonnes more than at the end of 1996.

Clouding the outlook for copper rather more than LME stock levels is a sprinkling of coinciding but unrelated labour problems in Chile, New Mexico and Canada, combined with the six-week maintenance shutdown of a smelter in Utah.

But perhaps the biggest question-mark lies elsewhere. Mr Jim Lennon, an analyst, writes in the Macquarie Commodities Report for today that "looming over the market" is "the possibility of a surge in Chinese copper buying", due to a reported tightening in the domestic Chinese market in the first quarter of 1997.

OTHER MARKETS Compiled by Jeffrey Brown

European bourses face a holiday-shortened week, culminating on Friday in the latest US non-farm payrolls.

PARIS

Election uncertainty and a reduction in trading sessions as a result of the May Day holiday look like keeping French equities on hold.

Investors may well pay more attention to the opinion polls than to the stock market. Five accredited polls are due over the next few days, while a tangible political event takes place tomorrow when the socialists and the communists meet to hammer out a common policy platform.

Against this background, most brokers expect the bourse to remain volatile. Slack volume may enhance the general nervousness. Turnover is usually low at this time of the year, with three public holidays falling in May. This week's trading will be mostly concentrated into the first three days since many bourse participants are expected to extend Thursday's holiday into a four-day weekend.

Not surprisingly, there are few corporate events. Rhône-Poulenc reports on Wednesday and tomorrow takes in results from GAN, a privatisation candidate and perennial takeover favourite. Elf Aquitaine holds its agm on Wednesday.

AMSTERDAM

After last week's spectacular first-quarter numbers from Philips which resulted in sharp broker earnings upgrades for this year and next, the results season in Amsterdam has acquired additional meaning and drive.

Unilever, Royal Dutch, DSM and KNP BT, all AEX index stocks, report this week and most Dutch analysts are betting on a continued flow of good news. UBS sees strong numbers from Unilever. The broker expects the detergents-to-foods giant to turn in earnings growth of close on a third for the opening three months and does not rule out "positive surprises".

STOCKHOLM

The Swedish results season has been running less smoothly, given yet another profits warning from drugs leader Pharmacia & Upjohn. The shares ended a sixth lower on the week and cast a large, individual cloud over the Stockholm bourse. The company announces first-quarter results tomorrow and most brokers see the event as a damage limitation exercise.

Other results include SCA, Aga and Atlas Copco plus long-term merger favourite, SE-Banken. In fact, there is plenty for analysts to get their teeth into right across the Nordic bloc. Nokia, the Finnish high-tech leader which accounts for more than a third of the Helsinki bourse capitalisation, reports tomorrow. In Norway, Christiania and Den Norske banks also report tomorrow.

HONG KONG

Equities are expected to continue to climb, but brokers warn that sentiment is fragile and could break at any moment, especially among China-linked stocks, the so-called red-chips.

The Hang Seng index was easier on Friday, but well up on the week in robust volume. China stocks were the main focus with share prices continuing to rise even after a number of dilutive share placements – partly because investors expect proceeds raised to buy assets from the Chinese parent company.

China shares are being chased largely by retail buyers, although some overseas money is also reported to be going into the sector. New listings have likewise been posting strong debuts, again especially where there is a strong mainland link.

The market has been supported lately by fund flows. After 10 negative to neutral weeks, local Asia funds, excluding Japan, have begun to see an inflow.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
CMS Generation (US)/ NRG Energy (US)	Loy Yang (Australia)	Power	$3.7bn	Victoria still privatising
CCA (Australia)	CCBPI (Philippines)	Soft drinks	$2.9bn	Swap delayed
Stet (Italy)	Mobilkom Austria (Austria)	Telecoms	$697m	Stet wins 25%
Penoles Mining (Mexico)	La Oroya (Peru)	Mining	$185m	Sell-off boost
Robert Bosch (Germany)	Dancall (UK)	Telecoms equipment	$147m	Amstrad shareholders approve
JBA Holdings (UK)	Presys (France)	Computer services	$17.3m	Strengthening position
Telefónica (Spain)/ BT (UK)/MCI (US)	Strategic alliance	Telecoms	n/a	Sector alliances continue
Commercial Union (UK)	SEV (France)	Insurance	n/a	Simplifying relationships..
Commercial Union (UK)	Sinafer (France)	Insurance services	n/a	..for estimated $224m

CURRENCIES By Simon Kuper

Traders calm at prospect of victory for Labour

This could be a big week for the forex market. The pound and dollar in particular could find new direction.

The US currency, which trod water last week as traders awaited yesterday's Group of Seven meeting, could start moving again from today.

And on Thursday the UK goes to the polls for its general election. The markets have priced in a Labour victory, and after 18 years of Conservative rule they seem calm about the prospect. Only an unexpectedly close vote, creating a hung parliament or a very narrow Labour majority, would be likely to hit UK assets and the pound. A Conservative victory would be expected to cheer sterling.

If Labour does win, the market has to decide whether Mr Gordon Brown, the party's proposed chancellor, would raise interest rates sharply. The markets have priced in a 50-basis-point rate rise virtually immediately after a Labour win. By December, they expect base rates of about 7 per cent, a percentage point above today's levels.

However, such sharp rate rises would boost the strong pound even further, dealing further blows to suffering manufacturers. It seems increasingly possible that Mr Brown, if he became chancellor, would raise taxes instead, increasing interest rates only modestly. The pound could suffer if he did signal early that he was going to concentrate on taxes to slow the fast growing consumer sector.

There is also a wealth of US data out this week. Many expect the Federal Reserve to raise rates after its Open Market committee meeting on May 20, given recent signs that inflation may be appearing on the horizon. The most important data are Tuesday's employment cost index, the final gross domestic product figure for the first quarter on Wednesday, and non-farm payrolls and average hourly earnings on Friday. Most of the data are expected to emerge strong.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 25, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7709.72	4750.00	2758.02	3787.45
Albania	(Lek)	233.321	143.750	83.4059	114.015
Algeria	(Dinar)	94.9919	58.5250	33.9571	46.4189
Andorra	(French Fr)	9.4465	5.8200	3.3768	4.6161
	(Sp Peseta)	235.861	145.315	84.3139	115.256
Angola	(Readj Kwanza)	341682.5	210500.0	122135.2	166957.5
Antigua	(E Carib $)	4.3824	2.7000	1.5666	2.1415
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
El Salvador	(Colon)	14.2103	8.7550	5.0796	6.9440
Equat'l Guinea	(CFA Fr)	944.650	582.000	337.686	461.612
Estonia	(Kroon)	22.3806	13.7888	8.0005	10.9366
Ethiopia	(Ethiopian Birr)	10.4880	6.4500	3.7424	5.1158
Falkland Is	(Falk £)	1	0.6161	0.3575	0.4887
Faroe Is	(Danish Krone)	10.6524	6.5630	3.8079	5.2054
Fiji Is	(Fiji $)	2.2958	1.4144	0.8207	1.1219
Finland	(Markka)	8.4088	5.1807	3.0059	4.1090
France	(Fr)	9.4465	5.8200	3.3768	4.6161
Fr. Cty/Africa	(CFA Fr)	944.650	582.000	337.685	461.612
Fr. Guiana	(Local Fr)	9.4465	5.8200	3.3768	4.6161
Fr. Pacific Is	(CFP Fr)	170.933	105.313	61.1040	83.5286
Gabon	(CFA Fr)	944.650	582.000	337.685	461.612
Gambia	(Dalasi)	16.0585	9.8925	5.7396	7.8462
Germany	(D-Mark)	2.7874	1.7235	1	1.3670
Ghana	(Cedi)	3132.58	1930.00	1119.81	1530.77
Gibraltar	(Gib £)	1	0.6161	0.3575	0.4887

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	444.892	274.100	159.037	217.402
Greenland	(Danish Krone)	10.6524	6.5630	3.8079	5.2054
Grenada	(E Carib $)	4.3824	2.7000	1.5666	2.1415
Guadeloupe	(French Fr)	9.4465	5.8200	3.3768	4.6161
Guam	(US $)	1.6231	1	0.5802	0.7931
Guatemala	(Quetzal)	9.7493	6.0066	3.4851	4.7641
Guinea	(Fr)	1737.53	1070.75	621.265	849.262
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mongolia	(Tugrik)	757.452	466.670	270.769	370.138
Montserrat	(E Carib $)	4.3824	2.7000	1.5666	2.1415
Morocco	(Dirham)	15.4142	9.4966	5.5102	7.5323
Mozambique	(Metical)	18219.9	11225.4	6513.14	8903.39
Namibia	(S A Rand)	7.2253	4.4615	2.5928	3.5307
Nauru Is	(Australian $)	2.0904	1.2879	0.7473	1.0215
Nepal	(Nepalese Rupee)	92.4356	56.9500	33.0432	45.1697
Netherlands	(Guilder)	3.1453	1.9379	1.1244	1.5370
N'nd Antilles	(A/Guilder)	2.9054	1.7900	1.0386	1.4197
New Zealand	(NZ $)	2.3403	1.4419	0.8366	1.1436
Nicaragua	(Gold Cordoba)	15.0059	9.2452	5.3642	7.3328
Niger Rep	(CFA Fr)	944.650	582.000	337.686	461.612
Nigeria	(Naira)	35.5232o	21.8860	12.6986	17.3588
	(Naira)	139.380m	85.8600	49.8172	68.0995
Norway	(Nor. Krone)	11.4641	7.0631	4.0981	5.6021
Oman	(Rial Omani)	0.6249	0.3850	0.2234	0.3054

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(2)	65.2483	40.1998	23.3245	31.8844
Panama	(Balboa)	1.6231	1	0.5802	0.7931
Papua New Guinea	(Kina)	2.2654	1.3957	0.8098	1.1070
Paraguay	(Guarani)	3465.32	2135.00	1238.76	1693.37
Peru	(New Sol)	4.3175	2.6600	1.5434	2.1098
Philippines	(Peso)	42.6012	26.3700	15.3003	20.9153
Pitcairn Is	(£ Sterling)	1	0.6161	0.3576	0.4887
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United States	(US $)	1.6231	1	0.5802	0.7931
Uruguay	(Peso Uruguayo)	14.9407	9.2050	5.3409	7.3009
Vanuatu	(Vatu)	184.441	113.635	65.9327	90.1293
Vatican	(Lira)	2786.13	1716.55	995.968	1361.46
Venezuela	(Bolivar)	780.265v	480.725	278.924	381.286
Vietnam	(Dong)	18919.7	11656.5	6763.27	9245.32
Virgin Is-British	(US $)	1.6231	1	0.5802	0.7931
Virgin Is-US	(US $)	1.6231	1	0.5802	0.7931
Western Samoa	(Tala)	4.0378	2.4878	1.4433	1.9730
Yemen (Rep of)	(Rial)	201.411r	124.090	71.9998	98.4216
Yugoslavia	(New Dinar)	8.9439	5.5104	3.1972	4.3706
Zaire Rep	(Zaire)	291021.8	179300.0	104032.5	142211.3
Zambia	(Kwacha)	2100.29	1294.00	750.798	1026.33
Zimbabwe	(Z$)	18.3573	11.3100	6.5622	8.9705
ECU	(ECU)	1.4366	0.8851	0.5135	0.7020
SDR	(SDR)	1.18441	0.731251	0.425492	0.579896

Abbreviations: (o) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Pakistan Rupee devalued by 7.86pc against US dollar 22/10/96; FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times.
Friday, April 25, 1997

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / **Richard Lapper**

The privatisation worm turns

Investors in many privatised European companies have had a raw deal over the past 10 years, with share prices often underperforming local markets.

However, over the past two years things have begun to change according to a new report by analysts at Morgan Stanley, the US investment bank.

The report, which is to be published this week, says that in the year to the end of March "privatisation issues have seen a quite dramatic turnaround in their performance".

Against a backcloth of bullish conditions in most European equity markets, privatised companies outperformed the Morgan Stanley Capital International (MSCI) Europe share index by 4.3 per cent in dollar terms (see graph).

France and Italy both did particularly well with the average price of French issues rising by 32.7 per cent against a 30.5 per cent rise for the market and of Italian issues by 42.2 per cent against a 20 per cent rise for the market (in local currency terms).

By contrast, over longer periods – whether a three, five or 10 year view is taken – most European privatisation shares have underperformed their national markets.

Judged by total returns, rather than price, privatised companies also improved last year – although the contrast with the previous 10 years is less sharp, mainly because privatised companies tend to have higher dividend yields than other companies.

Not all individual markets, however, have conformed to this general pattern. Over the last 12 months UK privatised issues did worse than average, partly because of regulatory threats and the impact on utility company prices of the Labour opposition's proposed windfall tax.

On the other hand – over a five or 10 year horizon – UK privatisation shares have outperformed the broader UK market. "The UK privatisation process stands out for its consistency of success for the private investor. There is not one issue which has fallen in absolute price terms", says the report.

This is partly because many UK privatisations, particularly earlier issues, were "significantly underpriced" with the aim of providing capital gains for investors. But the report also says that UK privatised companies have undergone much greater industrial restructuring both before and after sale than their continental counterparts.

As a result sales per employee for UK privatised companies have risen on average by 8.7 per cent a year since privatisation, well above the UK market average of 5.2 per cent since 1990. Between them British Telecommunications, British Airways, British Steel and the generating utilities have cut over 150,000 jobs since privatisation.

The greater willingness recently of mainland European companies to copy the UK's example is perhaps the main reason why other privatised share issues have begun to perform more successfully, the report suggests.

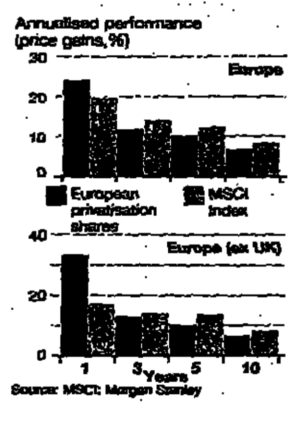
Pressure here is coming on a number of fronts. New technology means fewer workers are needed in industries such as telecoms, while companies in sectors ranging from airlines to electricity are being forced to reduce costs to prepare for the greater price competition resulting from deregulation. In addition many businesses now face greater demands from their shareholders and are having to compete more fiercely for capital on international markets. Many European companies are being pressed to offer higher dividends or buy back shares, says the report, noting buy-backs by companies such as DSM, the Dutch chemical group, and Nordbanken, the Swedish bank.

Privatised European companies are improving at an above average rate, increasing both sales per employee and return on equity more quickly than the rest of the market. Continental European privatised businesses are doing particularly well with sales per employee rising last year by an average of 9.7 per cent compared with 5.4 per cent for the market (MSCI Europe ex UK) as a whole, and an average annual rate since issue of 1.9 per cent.

The report predicts that this trend will become "more intense as companies shape up to meet competitive threats with increasingly demanding capital markets and investors, more open markets, European Monetary Union and industrial deregulation", with the pressure greatest for sectors "which in the past have been least exposed and most protected".

* *Privatisations: Underperformance Over? by Richard Davidson, Markus Rösgen and Peter Simon. Morgan Stanley.*

End of underperformance



Source: MSCI; Morgan Stanley

Total return in local currency to 25/04/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.06	0.06	0.13	0.11
Month	0.47	0.06	0.28	0.28	0.62	0.51
Year	5.80	1.05	3.31	4.02	8.73	6.44
Bonds 3-5 year						
Week	-0.14	-0.05	-0.04	-0.24	-0.28	-0.30
Month	-0.08	0.47	0.68	0.40	1.78	0.49
Year	4.95	6.16	7.42	8.17	15.42	7.87
Bonds 7-10 year						
Week	-0.31	0.20	-0.30	-0.43	-0.96	-0.73
Month	-0.46	1.44	0.39	0.26	1.97	0.23
Year	4.52	11.62	10.17	11.09	22.25	10.37
Equities						
Week	0.4	3.4	0.8	0.4	2.9	-0.3
Month	-4.1	1.3	1.0	1.3	6.5	-1.7
Year	20.7	-16.0	34.6	30.4	30.0	15.6

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Excel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE Compiled By AFX News

Stronger showing expected from Nokia

Nokia, the Finnish telecommunications group, is expected tomorrow to report first-quarter earnings per share in the range of FM2.70 (54c) to FM3.22. These estimates compare with FM1.14 a year earlier.

The market will also look for strong sales growth in mobile phones and systems as an indicator of the company's underlying health.

Now that the logistical problems which plagued the mobile phones division for much of last year have been overcome, a failure to report substantial sales growth would raise the question of a possible loss of market share, especially to Ericsson.

Strong mobile phones sales are important, as last year's comparison period was weak because of problems in the division. Analysts are seeking minimum growth of more than 30 per cent, with handset sales of about FM3.5bn, and systems sales up 25 per cent to FM5bn.

One analyst said that to preserve market share, Nokia may have to consider lowering its prices, even if that means lower profit margins. *AFX-News, Helsinki*

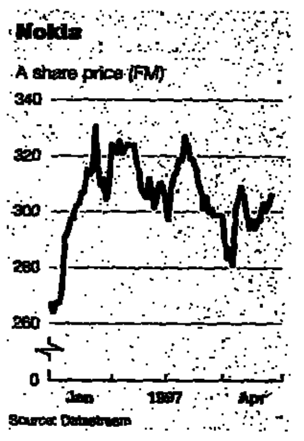
■ **Atlas Copco**, the Swedish engineering group, is due today to report first quarter profit of between SKr723m ($94.3m) and SKR900m, compared with SKr803m last time. The average forecast is for a profit after financial items of SKr777m.

Analysts said it was difficult to compare this year's figures with last time's, because they had contained several extraordinary items such as a capital gain of SKr342m from the sale of VOAC Hydraulics and restructuring costs of SKr225m in the Industrial Technique business.

Improvements in profits excluding extraordinaries will come from a better economic climate in Europe and from positive currency effects, analysts said.

AFX-News, Stockholm

Nokia



Source: Datastream

■ **DSM**, the Dutch chemicals company, is tomorrow expected to report first-quarter net profit of Fl 212m ($110m) to Fl 237m, compared with Fl 205m last time, including a Fl 10m extraordinary charge.

Pressures on margins are expected to be heaviest in DSM's hydrocarbons and polymers businesses, because of higher first quarter oil prices, while the speciality chemicals should have performed well.

AFX-News, Amsterdam

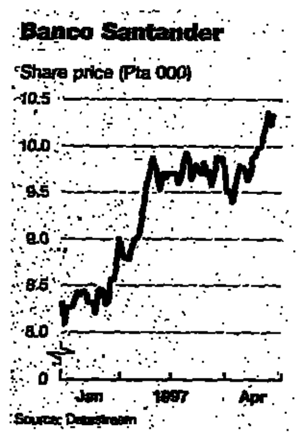
■ **Banco Santander**, Spain's largest bank, this week reports its first-quarter figures. Net profit of between Pta23.7bn ($163m) and Pta24.7bn is expected, up from Pta20bn last time. Earnings growth will be fuelled by rising business volumes from domestic operations, a better performance from overseas activities and lower loan loss provisions.

Strong profits from the capital markets division, higher commission income from the rapid growth of mutual funds, and capital gains from assets sales will help boost the bottom line.

Analysts expect that income from treasury operations would continue to be strong. "There's likely to be some sizeable capital gains there, as I'd imagine the bank will have reduced positions, given the uncertain climate for interest rates in the second half of the year," said one.

AFX-News, Madrid

Banco Santander



Source: Datastream

■ **BAT Industries**, the UK cigarettes and insurance group, is likely to find its first quarter figures on Wednesday overshadowed by discussions in the US about a $130bn settlement of claims against the tobacco industry.

On the insurance front, the general insurance business is thought to have remained soft, and the motor business poor.

Overall, the numbers will be complicated by some disposal gains, and by the impact of currency fluctuations, largely upon the company's US businesses, Brown & Williamson in tobacco and Farmers in insurance.

Mr Martin Hawkins at broker Greig Middleton, is predicting pre-tax profits of £605m ($980m), up from £590m last time.

■ **Shell Transport & Trading**, the UK arm of the Royal Dutch/Shell group, reports first quarter results on Thursday.

Estimates for net income range from £1.39bn ($2.25bn) to £1.73bn. Brokers BZW say Shell's results will probably not be as strong as some of the leading US oil companies, given that its first quarter results are highly dependent on the European gas market. Relatively warm weather in the first quarter is expected to have reduced gas demand this year.

■ **Unilever**, the Anglo-Dutch foods and consumer products company, is set to maintain its usual low-key approach to its first quarter results on Friday.

Brokers are expecting a below-trend performance, partly because an early Easter reduced the number of trading days in the quarter.

Two other distortions will hit this year's figures. There should be a £25m benefit from the company's pension fund holiday. Also, last year the company provided £15m to write off its stock of beef for Walls' burgers.

This time, brokers are expecting pre-tax profits, adjusted for currency fluctuations, of £535m ($867m), up from £503m.

INTERNATIONAL EQUITIES By Michael Lindemann and Robert Corzine

Oil offerings poised to flow

It has taken several years to privatise Repsol, the Spanish oil and gas group, but that process will end on a high today, with the fifth and final tranche 44 times subscribed by retail investors.

Advisers to the issue admit that the subscription rate is "highly inflated" because many domestic investors are trying to guarantee a slice of the final tranche by bidding for much more than they will be allocated.

That said, the issue has undoubtedly appealed to investors - helped by Repsol's sharp share price rise over the last year. Governments in Italy and Hungary will be hoping to emulate that success when Ente Nazionale Idrocarburi and Magyar Olaj-es Gazipari come to the market later this year.

The three offerings are part of an accelerating worldwide trend towards the privatisation or partial privatisation of national oil companies. They tend to be among the largest in their respective countries and are therefore attractive candidates for governments seeking to raise large sums.

In most cases the companies have enviable positions in their domestic markets. ENI and Repsol are particularly strong in the lucrative – and expanding – domestic natural gas business as well as having large shares of their respective retail petroleum markets. MOL's profits have also risen significantly following recent gas price liberalisation.

The sheer size of the offerings makes such companies surrogates for their domestic stock markets and a mandatory element for the portfolios of many country funds.

All three offerings are substantially driven by politics, analysts say, given that Spain, Italy and Hungary all need to underline their commitment to free markets and raise further revenues. However, the timing is also attractive to the governments involved because of the relatively healthy state of the crude oil price over the last year.

Although oil prices have fallen by 30 per cent from peaks of about $25 a barrel reached this year, the average price is still high relative to recent years. And while a period of low prices could hamper additional oil offerings, the overall trend towards oil and gas privatisations looks set to accelerate, particularly in emerging markets.

A recent report by Robert Fleming, the London securities house, predicted that the number of quoted emerging market oil and gas companies could double over the next two or three years to between 50 and 60 because of continuing privatisation and industry restructuring.

Repsol's retail investors have been allocated 50 per cent of the issue – the last 10 per cent of the company which was held by the government, worth about $1.17bn. The balance will be offered to institutions, 40 per cent of whom are international with reported strong demand from France, Germany and the Netherlands.

MOL, where the Hungarian government is offering a second tranche worth about $300m, will follow on Repsol's heels early next month. The government is due to reduce its holding from 58 per cent to about 41 per cent. Some 15 per cent is expected to be taken up by international investors while Hungarian investors are likely to buy a further 2 per cent.

ENI, the world's eighth-largest oil company which came to the market in 1995, is expected to launch its third issue, worth about $5bn, in June or July.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 25 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY APRIL 24 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	224.21	1.0	204.80	178.69	200.90	192.06	3.4	3.96	223.99	204.18	178.56	199.94	192.06	225.77	188.44	209.52
Austria (24)	181.99	-4.2	166.23	145.04	163.07	163.01	7.2	1.93	183.81	167.39	146.37	163.90	163.84	195.04	174.70	187.88
Belgium (36)	237.57	4.3	217.00	189.33	212.87	208.28	16.8	3.43	240.39	219.15	191.64	214.58	210.12	241.54	205.89	207.13
Brazil (30)	243.44	28.4	222.38	194.01	218.13	475.24	31.3	1.40	242.99	221.52	193.71	216.91	475.32	247.23	157.11	157.36
Canada (114)	184.58	-2.8	168.60	147.10	165.39	186.72	-0.9	2.09	186.43	169.96	148.62	166.42	187.96	203.31	154.12	162.05
Denmark (32)	360.70	2.5	329.47	287.46	323.19	321.97	14.0	1.57	362.03	330.04	288.61	323.17	321.97	376.98	291.89	293.84
Finland (28)	252.33	2.7	230.48	201.10	226.09	274.35	15.5	1.66	254.32	231.85	202.74	227.02	275.06	268.58	180.89	180.89
France (91)	210.04	-1.9	191.85	167.39	188.20	191.75	9.8	2.97	211.12	192.46	168.30	188.45	191.86	228.25	186.94	196.07
Germany (59)	197.75	4.1	180.63	157.60	177.19	177.19	16.4	1.59	199.66	182.02	159.17	178.22	178.22	207.65	164.47	169.22
Hong Kong (66)	455.73	-10.1	416.27	363.20	408.35	453.30	-10.0	3.31	458.76	418.22	365.72	409.51	456.31	514.49	407.55	422.52
Indonesia (27)	229.56	0.6	209.68	182.95	205.69	343.06	3.7	1.59	231.28	210.84	184.37	206.45	344.98	-	-	-
Ireland (16)	330.04	0.4	301.47	263.03	295.72	300.56	9.6	3.17	331.30	302.03	264.11	295.73	301.05	343.35	270.08	274.50
Italy (59)	86.27	3.3	78.80	68.76	77.30	110.80	18.7	2.24	86.76	79.09	69.16	77.44	110.80	98.32	73.26	82.92
Japan (485)	114.84	-11.0	104.90	91.53	102.90	91.53	-3.4	0.86	115.44	105.24	92.03	103.05	92.03	164.68	107.57	161.40
Malaysia (107)	535.44	-11.2	489.08	426.73	479.77	517.54	-11.8	1.24	539.43	491.77	430.03	481.52	520.57	660.85	512.47	568.93
Mexico (27)	1363.47	11.8	1245.41	1086.64	1221.70	11756.74	12.0	1.17	1365.06	1244.44	1088.20	1218.51	11714.48	1445.68	1110.35	1292.92
Netherland (19)	346.60	3.1	318.59	276.23	310.56	306.56	15.5	2.56	351.96	320.86	280.57	314.17	310.29	357.18	279.88	286.84
New Zealand (14)	85.20	-7.2	77.83	67.90	76.34	65.24	-5.4	4.35	85.03	77.52	67.79	75.90	65.24	95.60	75.94	81.91
Norway (41)	296.08	0.2	270.45	235.97	265.30	283.85	10.8	2.15	298.78	272.38	238.18	266.70	286.84	321.23	243.72	251.81
Philippines (22)	173.54	-14.8	158.51	138.30	155.49	228.06	-14.6	0.81	175.93	160.38	140.25	157.04	231.20	-	-	-
Singapore (43)	371.33	-11.6	339.18	295.94	332.72	246.93	-8.8	1.15	372.14	339.26	296.67	332.19	247.66	448.01	371.28	432.41
South Africa (44)	357.11	12.1	326.19	284.60	319.97	347.45	6.7	2.43	358.60	326.92	285.87	320.11	348.28	370.89	301.49	364.65
Spain (35)	223.31	1.6	203.97	177.97	200.09	245.83	13.5	2.66	225.58	205.65	179.83	201.37	247.60	228.16	171.91	178.19
Sweden (49)	409.78	-2.9	374.30	326.58	367.17	472.41	10.8	2.21	421.12	383.91	335.71	375.91	477.97	448.64	334.35	342.25
Switzerland (36)	263.17	10.3	240.38	209.73	235.80	239.44	20.6	1.37	267.32	243.70	213.11	238.62	242.40	267.32	229.36	243.41
Thailand (43)	79.68	-16.6	72.78	63.50	71.39	80.63	-15.4	3.87	80.99	73.84	64.57	72.30	81.96	184.18	73.98	177.82
United Kingdom (211)	282.05	-0.4	257.63	224.78	252.72	257.63	5.0	3.81	283.86	258.78	226.29	253.39	258.78	285.30	228.85	234.48
USA (653)	309.52	2.5	282.72	246.68	277.34	309.52	2.5	1.98	312.33	284.73	248.99	278.80	312.33	331.54	254.79	266.45
Americas (824)	283.41	2.6	258.87	225.87	253.94	238.75	2.7	1.96	285.94	260.67	227.94	255.24	240.83	303.45	233.09	243.55
Europe (726)	243.45	1.6	222.37	194.02	218.13	227.18	11.1	2.78	246.80	224.08	195.95	219.41	228.53	248.97	204.71	209.64
Nordic (150)	359.41	-0.9	328.29	286.44	322.04	356.93	11.9	2.02	366.21	333.85	291.94	325.90	359.95	385.85	291.45	293.61
Pacific Basin (883)	133.62	-10.1	122.05	106.49	119.73	104.83	-4.3	1.39	134.29	122.43	107.06	119.89	105.38	177.01	127.18	173.81
Euro-Pacific (1609)	179.41	-3.8	163.88	142.98	160.76	151.03	3.9	2.17	180.78	164.80	144.11	161.37	151.88	191.51	173.55	188.69
North America (767)	301.87	2.3	275.73	240.58	270.48	301.41	2.4	1.98	304.62	277.70	242.84	271.92	304.11	323.69	248.65	259.97
Europe Ex. UK (515)	217.49	2.8	198.66	173.33	194.88	205.73	14.8	2.18	219.99	200.55	175.38	196.37	207.13	224.70	185.65	191.04
Pacific Ex. Japan (398)	292.01	-7.4	266.73	232.72	261.65	254.40	-6.5	2.90	293.29	267.38	233.81	261.81	255.54	320.65	268.97	281.67
World Ex. US (1824)	182.77	-3.1	166.95	145.66	163.77	156.85	4.0	2.15	184.14	167.87	146.79	164.37	157.71	193.47	178.94	189.77
World Ex. UK (2266)	217.43	-0.6	198.60	173.28	194.82	184.84	3.1	1.86	219.26	199.89	174.79	195.72	196.28	228.59	199.58	211.06
World Ex. Japan (1992)	278.23	1.7	254.14	221.74	249.30	269.53	4.7	2.29	280.67	255.87	223.75	250.54	271.53	292.72	233.10	242.31
The World Index (2477)	222.91	-0.6	203.61	177.65	199.73	200.51	3.3	2.06	224.75	204.89	179.16	200.62	201.93	233.38	202.32	213.18

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.85 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.84 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 234.33 (Pound Sterling) and 184.40 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 25/4/97: Addition: Lahmeyer (Medium-Small Cap) (Germany). Deletion: Rheinelektra (Germany). Name changes: Suncor to Suncor Energy (Canada), State Street Boston Corp. to State Street Corp. (USA) and TRINOVA Corp. to Aeroquip-Vickers (USA). Markets closed 25/4/97: Australia, Denmark, Italy and New Zealand.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

AIM Tst. 0.8p
Alba 1.25p
Asahi Breweries 6.3% Bnds. 1997 Y630,000
Bank of Nova Scotia C$0.37
Beazer Grp. 2.1p
Koninklijke Bols Wessanen Fl0.96
Broome (T.F. & J.H.) Hldgs. 7.5p
Do. A Non. Vtg. 7.5p
Britannia Bldg. Soc. FRN. Sub. Nts. 2005 £17,296.23
Canadian Imperial Bank of Commerce C$0.25
Carisbrooke Shipping 2.5p
Cheltenham & Gloucester 11¾% Perp. Sub. Bds. £2,937.50
Co-operative Bank Sub. FRN. 2000 £79.37
Daiwa Overseas Fin. FRN. 2004 $15,156.25
Estates & Agency Hldgs. 7p
Financial Receivables for Securitised Transactions FRN. 2005 £2,134.76
Do. Senior FRN. 2005 £811.03
Financial Receivables for Securitised Transactions No.3 Mezz. FRN. 2016 £1,947.77
Do. Senior FRN. 2016 £1,004.01
Foreign & Colonial Invst. Tst. 1.58p
Furukawa Elec Co. 6.25% Bds. 1997 Y625,000
Golden Hope Plantations M$0.05
Green Property IR3.3p
Hibernian Grp. IR7p
Italy (Republic of) 10½% Bds. 2014 £1,050
Do. Global FRN. 1999 $14.22
Do. Global FRN. 1999 Y1,431
Kansai Elec Pwr Co. 7⅛% Nts. 1998 £71.25
Kleinwort Overseas Invst. Tst. 0.71p
Korea Intl Merch Bnk. FRN. 19999 $308.23
Lloyds Bank Series A Var. Rate Nts. 1998 £153.35
Mitsui & Co. 2.85% Nts. 1999 Y285,000
Do. Fixed & Floating Rate 1997 Y9,578
Morgan Stanley Equity Ptf. Eq. Rd. 8.61p
NatWest Bk 8¾ Sub. Bearer Bds.1988 DM60
Nihon Doro Kodan 7½% Gtd. Bds. 2005 $375
Persimmon 6.5p
Relyon 7.5p
Reuters Hldgs. 5p
State Bank of NSW 10¼% Nts. 2000 A$102.50
Do. 10⅞% Sub. Nts. 1999 $1,037.50
Sumitomo Metal Inds. 5.3% 2000 Y530,000
Toyota Co. FRN. 1998 Y18,375
Do FRN. 1998 Y18,375
TR Technology 0.2p
Do. Units 0.6p
YKK Corp.4.5% Nts. 1998 Y450,000

■ TOMORROW

American Tst. 3.7p
Anglo & Overseas Tst. 7.6p
Barclays 20p
Brent Intl. 2.2p
Caparo Grp. 3.2p
Esselte SK5
Do. Series B SK5
Goodman Fielder A$0.03
Hat Pin 1.72p
Ireland Residential Securitised Home Mortgages Class A2 FRN 2025 IR£1,507.28
Do. Class B IR£1,583.72
Land Securities Bds 2007 £95
Leslie Wise Grp. 1.25p
Perpetual UK Smaller Co. Invst. Tst 9.6p

■ WEDNESDAY APRIL 30

Abtrust Preferred Income Invst. Tst. 3.25p
Alexanders Hldgs. 0.1p
Do A 0.1p
Alexon 5% Cm. Pf. 8.75p
Allied Irish Bks Sub.Prm.Cap FRN $146.88
American Port Services 1.38p
Ashanti Goldfields $0.25
Banco Real Step-up 2001 $525
Banco Santander Pta100
Bandit 7% Cm. Pf. 2.45p
Bankers Invst. Tst. 8% Deb 2003 £4
Do. 10⅛% Deb. 2016 £5.25
Bayleys 10% Cm. Pf. 5p
BET 4½% Db £2.25
Black (Peter) Hldgs. 1.52p
Blacks Leisure Grp. 5p
Burmah Castrol 6% 1st Prf. 2.1p
Do. 6% Cm. 2nd Pf. 2.1p
Do. 8% Cm. Pf. 2.8p
Do. 7¼% Cm. Rd. Pf. 2.5375p
Burns Philp Treasury (Europe) $137.50
Campbell Soup Cap. Stk. $0.1925
Capital Shopping Centres 6% Sub. Conv. Bds. 2006 3p
Chase Manhattan $0.62
Cherrying Grp. Cm. Pf. 2.45p
City Merchants High Yield Tst. FR. Euro. 1998-2002 $150.96
Colleagues Grp. 3p
Cookson Grp. 7% Non-Cm. Pf. 1.225p
Do. 7% Cm. Pf. 2.45p
Do. 7% Conv. Bds. 2004 £35
Corp Andina Fomento 7¼% Nts. 1998 $362.50
Dartmoor Invst. Tst. 3p
Do. 8.25% RPI Linked Deb. 2005 £4.132
Dixon Motors 4p
Dow Chemical $0.75
Edison Intl. 0.25
El Oro Mining & Exploration Co 22.5p
English Property Corp. 9⅞% 1st Mort. Deb. 1997.2002 £4.9375
Estates Prop Invst.Co 10% 1st Mort Deb. 2011 £5
Do. 10% Sec. 1993/98 £5
Evans of Leeds 11% 1st Mort Deb. 2025 £5.50
Exploration Co 11p
Fleming Income & Growth Invst. Tst. 3.2578p
Framlington Dual Tst. 1.75p
Friends Provident Ethical Invst. Tst. 3.9p
Do. Units 3.9p
Gartmore Emerging Pacific Incst. Tst. 0.19p
Global Stock Invst. Part. Pf. $0.1122
Do Part. Pf. Global Income $0.2016
Part. Pf. High Income 10.91p
Guildhall Property 6% Cm. Pf. 2.1p
Haynes Publishing Grp. 5p
Heavitree Brewery 11.5% Cm. Pf. 5.75p
Henderson High Income Tst. 1.65p
Homeloans Mort. FRN. 2030 £135.28
Do. Mezz. Mort. FRN. 2030 £173.81
Homeloans (No.3) A1 Mort. FRN. £122.50
Do. A2 FRN 2028 £157.72
Do. Class B FRN. 2028 £162.84
Do. Class C FRN. 2028 £173.81
HSBC Hldgs. 26p
Do. 26p
Intereurope Tech. Services 1.1p
Ireland (Republic of) 11½% Dev. 1997/9 IR£5.75
Jasmin Conv. Unsec. Ln. 1999 65.7534p
Lancashire Enterprises 2.9p
LASMO Oil. Prod. Units 3.9467p
Latham (James) 4p
Law Debenture Corp. 16.75p
L&G 6⅞% Conv. Sub. Bds. 2008 £33.75
Liberty Intl. Hldgs. A Conv. 10p
Do B 6% Conv. 3p
Do 5½% Sub. Conv. Bds. 2009 £.75p
London Merchant Secs. 7½% Conv. Unsec. 2000/05 £3.875
Lookers 5.4p
Lowe (Robert H.) 8.1% Cm. 0.27p
Lowe's Cos Inc. $0.055
Mayne Nickless A$0.15
McAlpine (Alfred) 9% Cm. Pf. 4.5p
National Westminster Bank Var. Rate Cap Nts. 2000 $1,406.08
Nova Scotia (Prov. of) 16⅝% Ln. 2011 £8.375
Novo Nordisk Dkr3.75
Peel Hldgs. 10% Cm. Pf. 2.5p
Do. 9½% Mort. Db. 2011 £4.9375
Peel South East 10% Mort. Db. 2020 £5
Do. 11.025% Mort. Db. 2018 £5.8125
Do. 12.5% Mort. Db. 2015/20 £6.25
Pendragon 6.6p
Polypipe 0.92p
Portsmouth & Sunderland Newspapers 6% Cm. Pf. 3p
Do. 11.5% 2nd Cm. Pf. 5.75p
Prolific Income 1.7p
Ragby Gld. FRN. 1997 $6,560.42
Ransomes Cm. Conv. Pf. 4.125p
Residential Property Secs. (No.4) A1 Mort Bkd. FRN. 2023 £630.61
Do. A2 Mort. Bkd. FRN. 2023 £1,597.01
Royal Bank of Canada FR. Db. 2005 $54.01
Schroder Income Growth Fund 1.05p
Do.4% Perp. Db. £2
Do. 4¼ Perp. Db. £2.125
Do. 5% Perp. Db. £2.50
Scottish & Newcastle 4.6% Cm. Pf. 2.3p
Do. 6.425% Cm. Pf. 3.2125p
Seagram Distillers 12⅛% Db. 2012 £0.1975
Second St. Davids Invst. Tst. 2p
Sedgwick Grp. 3.5p
Shires Income 4.2p
Smaller Companies Invst. Tst. 1.85p
Scintab AB Undtd. Sub. FRN. $162.24
SR Pan-European Invst. Tst. 0.5p
State Bank of NSW 10⅝% Bds. 1999 A$105
Surrey Free Inns 1.26p
TC Grp. 2.45p
Taraco Intl. Fin. 8% £/$ Conv. 1981-93 £4
Thorntons 1.65p
TMC P I.M.B.S. 1st Financing Nts. 2029 £158.69
TMC P I M.B.S. 4th Financing Nts. No.5 2029 £49.43
TMC P I M.B.S. 6th Financing Nts No.7 2029 £39.99
TMC P I M.B.S. 3rd Financing Nts No. 4B 2020 £160.40
Tor Invst. Tst. 11p
Toronto-Dominion Bk. C$0.28
Transamerica $0.50
TR City of London Tst. 1.54p
Univ. of Lancaster 9⅛%Mort. Db. 2025£2.4375
Upton & Southern Hldgs Cm.Conv Rd.Pf.2p
USF & Corp. $0.05
Vardy (Reg) 2.8p
Vaux Grp. 7% Cm. Pf. 2.45p
Do. 4½ Cm Pf. 1.575p
Do 6½% Cm. Pf. 2.275p
Watmoughs (Hldgs) 7.7p
Wells Fargo Sub. FRN. 2000 $54.90
WEW Grp 10.5% Cm Rd Pf 1999-2002 5.25p
Woolwich Bldg. Soc. FRN 1998 £158.74

■ THURSDAY MAY 1

BellSouth $0.36
Bristol Corp. Db. 3½% £1.75
British Invst. Tst. 5½% Cm. Pf. £1.8375
Caledonia Invst. 30p
Carnes 12.8p
City of New York FR. Euronotes 1998-2002 $150.96
Croydon Land&Cars 6% Conv. Rd. Unsec. 3p
Dunedin Worldwide Invst. Tst. 3.5% Cm. Pf. £1.75
Fleming Mercantile Invst. Tst. 3p
Foffles Conv. Cm. Pf. 1.125p
Gartmore [illegible]
Gibraltar (Gov.) 11% Ln Stk 2005 £5.5175
Gresham Computing 0.5p
Hardys & Hansons [illegible] Cm. 1st Pf. 1.75p
Do. 4% Invst. 1st Mort Deb £2.00
Howard Williams 8.8p
Hydro Quebec [illegible] Series GG Mar. 1 2001 $[illegible]
Kwik Fit Plant 3.5% Cm. Pf. 3p
Kong & [illegible] Hldgs. 5% Cm. Pf. 1.75p
Land [illegible] Cm. Pf. 3.2p
Lamont Hldgs 6% (8.2%) Net Cm Pf 1.05p
Do 5.6% 2nd Cm Pf 2.8p
Do 10% 3rd Cm Pf 5p
Lincoln National Corp. $0.40
Lloyds TSB 9p
Londonderry Port & Harbour Commissioners 3½% Consol. £1.75
London Stock Exchange 10⅝% Mort. Deb. Stk 2016 £5.3125
Lowe (Robert H.) 0.2p
Marshalls 10% Cm. Pf. 5p
Mercury World Mining Tst. 1.15p
Montreal (City of) 3% Perm. Db. £1.50
National Westminster Bank 10.4p
Do. 9.45% Sub. Nts. 2001 $4.725
Norwich Corp. 3% Red. Stk £1.50
Nottingham Corpn. 3% Stk Irred £1.50
NWF Group 2.7p
NYNEX Corpn. $0.59
Pacific Telesis $0.3275
Paxton Group 3.15% Cm. Pf. 1.575p
Pitrie Hldgs 2.5p
Do 'A' Non Vtg 2.5p
Reading Corpn. 3.5% Stk. £1.75
Sanderson Bramall Motor 3.2p
Scottish Agric. Securities 13% Deb £6.50
Scottish Invst. Tst. £1.75
Sherwood Intl 3p
Sinclair (William) 2.1p
Singer & Friedlander 8½% Cv. Sb. Unsec. Ln. 2006-14 £4.25
Spargo Consulting 2.5p
Stadium Group 3p
Torchmark Corpn $0.29
TT Grp. 10.875% Conv. Cm. Rd. Pf. 5.4375p

■ FRIDAY MAY 2

Birse Grp. 0.2p
Bumfold 2.2p
Cookson Group 7% Cv. Bds 2004 £75.20
European Assets Tst. Fl0.11
Hiscox Select Insurance Fund 1.3p
Industrial Control Services 1.5p
Investment Tst. of Guernsey 1.6p
Isotron 2.2p
Matthews (Bernard) 2.4p
National Express Grp. 8.1p
Paterson Zochonis 5.5p
Do 'A' (Non-Vtg) 5.5p
Ricardo Group 2p
Schering DM2.00
Schroders 14p
Do Non-Vtg 14p
Tay Homes 1.7p
Taylor (Charles) Group 2.5p
Transport Development Group 5.5p
Vardon 1.45p
Vickers 4.5p
Yorkshire Group 6.2p
Whitbread 4½% Cm. Pf. 1.575p
Do 6% 3rd. Cm. Pf. 2.1p
Do 7% 3rd. Cm. Pf. 2.45p

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
American Tst, Donaldson House, 97, Haymarket Terrace, Edinburgh, 12.15
Baronsmead Inv Tst, 7 Princes St, EC, 12.30
Bowness Leisure, Burnside Hotel, Bowness-on-Windermere, 11.00
Brent Intl, Ridgeway, Iver, Bucks, 10.30
Friends Provident Ethical Inv Tst, New Connaught Rooms, Gt Queen St, WC, 12.30
Murray Int Tst, Glasgow Marriott Hotel, 500, Argyle Street, Glasgow, 12.30
Pendragon, Chevin Aud5, Sir Frank Whittle Road, Derby, 10.30
Wedderburn Securities, Heron Place, 3, George Street, W., 12.00
BOARD MEETINGS:
Finals: **Alexander Wrkwr, Chiroscience Grp, EIS, Grampian TV, S&U, West 175 Ents**
Interims: **Strategem**

■ TOMORROW

COMPANY MEETINGS:
Bilston & Battersea Enamels, Barton Park, Mount Pleasant, Bilston, W. Midlands, 11.00
Cathay Int, Howard Htl, Temple Plc, Strand WC, 2.00
Delta, The Waldorf, Aldwych, W.C., 12.00
Expamet Int, Painters' Hall, 9 Ltl Trinity Ln, EC, 11.00
Fulmar, 100, Liverpool Street, E.C., 12.00
Gaskell, Watson House, Syke Side Drive, Altham, Accrington, 11.30
Guardian Royal Exchange, Goldsmiths' Hall, Foster Lane, E.C., 11.30
Lasmo, Plasterers Hl, 1 Ldn Wall, EC, 11.30
Leslie Wise, 33, Gt Portland St, W, 11.00
Ocean, The Brewery, Chiswell St, EC, 12.00
Oakham, Bakers' Hall, Harp Lane, EC, 12.00
Pacific Assets Tst, 1 Charlotte Sq, Edinburgh, 12.30
Premiere Group, Wacko Cellar, Steam Packet Hse, 76, Cross St, Manchester, 10.30
Queensborough Hldgs, Exchange House, Primrose Street, E.C., 11.00
Smir Cos Inv Tst, 99 Charterhs St, E, 12.30
SmithKline Beecham, QE II Conference Centre, Broad Sanctuary, Westminster, 2.00
Spargo Consulting, 31, Beaufort Ct, Admirals Way, Waterside, Sth Quay, E, 12.00
Watmoughs, Cartwright Hl, Lister Pk, Bradford, 11.30
BOARD MEETINGS:
Finals: **Parambe, Ryan Hotels, Sears**
Interims: **Advanced Power Components, Air London Int, Fibernet Group**

■ WEDNESDAY APRIL 30

COMPANY MEETINGS:
BG, Natl Exhib Cntr, Birmingham, 10.00
British Aerospace, QEII Conf Cnt, Brd Sanctuary W, 11.00
Fleming Natural Resources Inv Tst, 25, Copthall Ave, E.C., 3.00
Gibbs & Dandy, Chamber of Commerce, Business Centre, Kempton Rd, Luton, 11.00
Inspec, King Alfred Hall, Winchester Guildhall, Winchester, 12.30
Lorien, 119, London Wall, E.C., 10.30
Mithras Inv Tst, Temple Court, 11, Queen Victoria Street, E.C., 12.00
Premier Oil, Ins Hl, 20 Aldermanbury, 11.30
Schroders, 120, Cheapside, E.C., 12.00
BOARD MEETINGS:
Finals: **David Brown Group, Grampian Hldgs, Oliver Ashworth Group, Shiloh**

■ THURSDAY MAY 1

COMPANY MEETINGS:
British Mohair, Midland Mills, Valley Road, Bradford, 11.30
Brunicliffe Aggregates, 26 Finsbury Sq, EC, 10.00
Charter, R.l Auto Cb,89 Pall Mall,SW, 12.00
Emess, Royal OverSeas League, OverSeas House, Park Place, St James St, SW, 10.00
Enviromed, Hoare Memorial Hall, Church Hse, Dean's Yd, Westminster, SW, 10.00
Flomerics Group, 81, Bridge Road, Hampton Court, Surrey, 11.00
Keller, 20, Fenchurch Street, E.C., 11.00
Latin American Inv Tst, Exchange House, Primrose Street, E.C., 12.15
Lilleshall, Chequers Hotel, Oxford Street, Newbury, Berkshire, 11.30
Lloyds Smaller Cos Inv Tst, 12, Fleet Place, Limeburner Lane, E.C., 12.30
Malaya, 25, Old Brompton Road, S.W., 12.00
Matthews (Bernard), Stakis Norwich Hotel, Norwich Airport, Cromer Rd, Norwich, 12.00
Mayborn, Dylon House, Worsley Bridge Road, Lower Sydenham, S.E., 10.30
Monument Oil & Gas, IOD, 116 Pall Mall, SW, 11.30
Mowlem (John), Bld Emplyrs Confed, Cavendish Cnf Cnt, 20 Duchess Mews W, 12.00
Natl Express, The Insurance Hall, 20, Aldermanbury, E.C., 12.00
Pascoe's, Churchill House, Bridgwater, Somerset, 11.00
Pegasus, Orion House, Orion Way, Kettering, Northants, 12.00
Pentland, Pentland Cntr, Squires Ln, Finchley, N, 10.30
SIG, Grosvenor House Hall, Sheffield, 11.30
Stat-Plus, Royal Automobile Club, Woodcote Park, Epsom, Surrey, 12.00
T & N, Ramada Renaissance Hotel, Blackfriars St, Deansgate, Manchester, 12.00
Vitec, The Brewery, Chiswell St, EC, 12.00
WSP, 24-30 Holborn, E.C., 11.00
Whatman, Whatman House, St Leonard's Road, 20/20 Maidstone, Kent, 12.30
Wickes, Mountbatten Htl, 7 Dials, Cvt Gdn, WC, 10.00
Wimpey (George), Royal Garden Hotel, Kensington High Street, W., 12.00

■ FRIDAY MAY 2

COMPANY MEETINGS:
BPP, 142-144 Uxbridge Road, W., 9.30
Burford Hldgs, Clifton-Ford Hotel, 47 Welbeck Street, W., 11.00
Clarke (TC), Simpsons, Strand, WC, 12.30
Clubhaus, Stonecutter Crt,1 Stonecutter Plc EC, 10.30
Cookson, Plasterers Hl,1 Ldn Wall EC, 11.30
Emerald Energy, City of London Club, 19, Old Broad Street, E.C., 10.00
Fisher (James) & Sons, Victoria Hotel, Abbey Road, Barrow-in-Furness, 12.00
Hunting, 116, Pall Mall, S.W., 10.30
Pearson, BAFTA, 195, Piccadilly, W., 12.00
Scottish TV, Cowcaddens, Glasgow, 12.00
Second Market Inv, Norfolk House, 13, Southampton Place, W.C., 10.00
Servisair, Stanneylands Hotel, Wilmslow, Cheshire, 3.15
Servomex, Buxted Pk Htl, Buxted, E Sussex, 10.00
Sherwood, Donington Thistle Hotel, East Midlands Intl Airport, Castle Donington Derby, 10.30
Sunleigh, Lndn Wall Bigs,Lndn Wl EC 10.30

Company meetings are annual general meetings unless otherwise stated.
Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

MARKETS: This Week

INTERNATIONAL BONDS By Edward Luce

S&P gives a boost to the Brady market

Standard & Poor's decision to unshackle Argentina's private sector from the constraint of the country's sovereign debt ceiling came as a timely boost last week in an otherwise sluggish market.

The move, which led to the immediate upgrading of 15 of Argentina's largest companies, prompted a mini-rally in the market for Argentine Bradys – bonds issued in exchange for distressed commercial loans and backed up by US Treasuries.

With over 50 per cent of Argentina's stock market capitalisation now represented by investment grade companies, investors were quick to take a more positive view of the country's broader debt profile.

"S&P's decision has at a stroke changed the way that rating agencies look at emerging market debt," said Mr Peter West, director of emerging markets research at West Merchant. "Companies with a higher rating than the sovereign ceiling will benefit most but it will also have a positive knock-on effect on other markets."

With spreads on Argentine Bradys narrowing by 30 basis points over Treasuries, and Bradys in general tightening by 20 basis points, the move was taken as an indirect boost to the sovereign asset class as a whole.

Although S&P was at pains to stress that the change would only affect companies in dollarised economies – or those with an effective dollar convertibility regime – some chose to draw broader conclusions.

"If telecoms and oil companies in Argentina merit investment grade status then it's very difficult to argue that that their counterparts in other Latin American countries do not deserve equivalent ratings," said Mr Richard Gray, emerging markets economist at Bank of America.

Ms Helene Williamson, a director at Foreign & Colonial Emerging Markets in London, said that S&P's decision could lead to confusion because it "somewhat arbitrarily" divides countries which have a currency board from those which do not. Logic would eventually compel the agencies to lift the sovereign ceiling on corporates in other markets, she said.

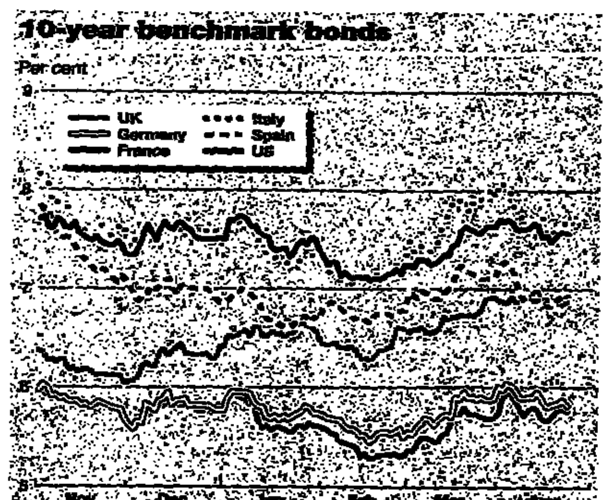
"In every country there are corporate bonds trading through [better than] their sovereign counterparts," said Ms Williamson. "If YPF [Argentina's oil company] deserves investment grade, then so does Pemex [Mexico's state oil company]. Both have equally strong dollar earnings."

Regardless of the benefits of S&P's decision, economists say the Brady market has turned the corner in the past few months to become a more resilient asset class than it was before.

Although stripped Bradys – Brady's with the US Treasury component taken out – have widened by an average of 105 basis points since US interest rates were increased last month, the asset has been hit less strongly than on previous occasions.

Mr Paul Luke at Deutsche Morgan Grenfell said that in the past higher US interest rates would typically lead to a widening of the Brady spread by at least twice as much as the movement on long-dated US Treasuries.

In 1994, for example, higher US interest rates led to a 200 basis point widening in US Treasuries and a 500 basis point widening in Brady bonds. Fears of a rise in US rates in early 1996 pushed US Treasuries out by 100 basis points and Bradys by 220 basis points.



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10	6.75	6.00
Overnight	n/a	n/a	3.00	3.18	6.75	n/a
Three month	5.91	0.58	3.12	3.44	6.98	6.40
One year	6.06	0.68	3.29	3.56	6.87	6.75
Five year	6.83	1.55	4.84	4.85	7.11	7.35
Ten year	6.98	2.45	5.88	5.82	7.59	7.87

(1) France intervention rate (2) UK Base rate. Source: Reuters

In the aftermath of the interest rate increase on March 25 however, Bradys have slackened by just 105 basis points, compared with a 75 basis points widening on the spread of 30-year US Treasury bonds.

"Bradys are much stronger as an asset class in 1997 than they were in 1994 or even 1996," said Mr Luke. "Investors have become much better at differentiating between types of Brady instrument and between Brady countries."

Since the start of the year, for example, floating rate Brady instruments (such as FRBs in Argentina) have yielded positive returns of almost 5 per cent. Longer dated fixed-rate Brady bonds, however, have been marginally negative. During 1996 – the best year for emerging market debt in recent memory – all types of Brady showed strong returns with the composite index growing by 33 per cent.

"In 1996, you could put money into any asset and be guaranteed of a very healthy return," said Ms Williamson. "Investors nowadays have to be much more discriminating if they want to make money in the Brady bond market."

Equally, the performance of Brady bond countries has varied widely since the beginning of 1997 and especially since the market peaked in late February, when jitters over US interest rates led to a sell-off.

The election of a reformist government in Bulgaria earlier this month and the expected creation of a currency board under the tutelage of the International Monetary Fund has boosted the price of Bulgarian Brady bonds by 15 per cent.

Conversely, the decline in world oil prices has knocked Bradys in oil-producing countries such as Nigeria, Venezuela and Ecuador.

"The Brady market is in the middle of a two-way tug," said Mr West. "On one side rising US interest rates are holding back investor enthusiasm for the asset class. On the other side, improving economic fundamentals in most of Latin America and the relative attractiveness of Brady yields compared with the developed bond markets is continuing to buoy investor interest in the market."

EMERGING MARKETS By James Kynge

Malaysia puts squeeze on Clob

Singapore's controversial Clob International share market is one of the great survivors of its trade. Many believed it was heading for extinction early this year, but once more it declined to go gently.

At one level, the survival of Clob (Central Limit Order Book) International, which mainly trades the shares of Malaysian companies, is a study in the ingenuity which has helped make Singapore the financial centre of south-east Asia. At another, it provides an insight into the intensifying economic rivalry between Singapore and Malaysia, which also has ambitions to be the region's financial hub.


Glyn Genin
Ingenuity helped make Singapore SE Asia's financial centre

The supposed death knell for Clob International – which had 129 quoted companies with a market capitalisation of S$232.9bn (US$161.4bn) at the end of 1996 – was the switch by Malaysia's market, the Kuala Lumpur Stock Exchange, to an entirely paperless form of trading and settlement at the end of 1996. It was difficult to see how an offshore, paper-based over-the-counter market in Malaysian shares could hope to continue. Gleeful Malaysian officials said in private that they looked forward to the liquidity which would flow back to Kuala Lumpur's brokerage industry once Clob no longer traded Malaysian shares. Public statements were only a little more circumspect.

"Our effort to complete the (paperless) system is not to kill any market but to enhance the clearing settlement system for the benefit of the industry," said Mr Nik Mohamed Din, executive chairman of the KLSE.

"It so happens Clob is affected but it's a natural consequence. We just can't help it if another market is affected," he added.

But Singaporean brokers devised a way to beat the new system and protect their lucrative Clob business. Since the Singapore exchange's settlement system, the Central Depositary, has its own account with the KLSE, it started to act as a nominee for Singapore investors buying Malaysian stocks on Clob though Singaporean brokerages.

The move has irritated officials in Kuala Lumpur, which in 1989 delisted all Malaysian public companies from the Stock Exchange of Singapore (SES) in order to divert trading from the island back to the KLSE.

A senior Malaysian official, who declined to be named, said: "We do not recognise the Clob market. As far as we are concerned, it is a black market and should be discontinued." Such feelings are reinforced by residual bitterness from a political row which erupted in March after Mr Lee Kuan Yew, Singapore's former prime minister and still a powerful member of its cabinet, described a southern Malaysian state as "notorious for shootings, muggings and car-jackings".

Given such resentful sentiments in Malaysia, it is not surprising that Clob is going underground. SES officials are less than forthcoming with information on the market (they do not publish Clob International turnover figures, for example) and Singaporean stockbrokers are reluctant to discuss the market. "The exchange has asked us not to talk about it," said one.

Yet, for those with an ear to the rumours which often drive Malaysia's stockmarket, Clob can provide plenty of opportunities. The UOB-OTC Index, which tracks Clob counters, posted gain after gain early this year as stocks on the KLSE surged upward. On one day in February, it is believed to have accounted for about 70 per cent of the Singapore market's overall turnover.

As Malaysia's market has fallen over the past few weeks, lucrative arbitrage possibilities have opened up between companies' KLSE share prices, denominated in Malaysian ringgit, and their Clob quotation in Singapore dollars. Such opportunities increase during periods of currency volatility.

Analysts thought it possible, but unlikely, that Malaysia may take new steps to close Clob down. Many, however, saw a gradual decline in the market's relevance because the political tension between the two countries makes it difficult for the SES to quote new Malaysian companies. "Clob is starved of the oxygen of being able to quote the new, exciting Malaysian companies. Over time, this will mean that it becomes less and less relevant," said one Singaporean broker.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	25/04/97	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	173.85	+1.35	+0.78	−0.80	−0.46	+13.74	+8.58
Latin America							
Argentina (22)	116.12	+4.09	+3.59	−1.02	−0.85	+10.99	+10.25
Brazil (24)	339.80	+8.18	+2.46	+8.34	+2.52	+78.57	+30.10
Chile (16)	191.76	+2.04	+1.08	+4.94	+2.85	+29.31	+18.04
Colombia (13)	235.62	−1.86	−0.78	+17.42	+7.98	+61.92	+35.65
Mexico (27)	93.06	−0.41	−0.43	−0.87	−0.92	+11.39	+13.94
Peru (12)	1,244.89	−6.56	−0.52	+73.76	+6.30	+237.67	+23.60
Venezuela (6)	61.40	−0.28	−0.46	+0.45	+0.73	−0.78	−1.26
Latin America (119)	173.92	+2.60	+1.52	+2.56	+1.49	+30.42	+21.20
Europe							
Czech Rep.(14)	93.42	−2.39	−2.49	−8.71	−8.70	−10.85	−10.41
Greece (20)	167.73	+2.15	+1.30	+17.31	+11.51	+55.42	+49.35
Poland (25)	344.83	+2.82	+0.82	−4.88	−1.40	+1.08	+0.31
Portugal (18)	167.50	+1.97	+1.19	+3.58	+2.18	+21.32	+14.58
South Africa (30)	144.31	+0.63	+0.44	−1.63	−1.12	+14.43	+11.11
Turkey (27)	150.71	−6.57	−4.18	−14.35	−8.69	+25.67	+20.53
Europe (134)	133.94	+0.11	+0.09	−0.72	−0.53	+15.61	+13.19
Asia							
China (27)	62.72	+3.85	+6.56	+7.63	+13.86	+6.24	+11.04
Indonesia (30)	148.58	+2.02	+1.38	−3.77	−2.48	−7.86	−5.02
Korea (23)	80.48	−0.78	−0.98	+3.16	+4.09	−0.72	−0.89
Malaysia (24)	235.91	−6.18	−2.55	−34.56	−12.78	−44.52	−15.87
Pakistan (13)	66.77	+1.22	+1.86	−3.93	−5.56	+8.31	+14.22
Philippines (18)	282.90	−7.03	−2.42	−31.89	−10.13	−30.89	−9.84
Taiwan (31)	208.28	+8.71	+4.36	+14.37	+7.41	+22.84	+12.32
Thailand (29)	132.22	−5.27	−3.84	−2.53	−1.87	−22.94	−14.79
Asia (193)	208.53	+0.72	+0.35	−5.21	−2.44	−9.04	−4.15

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Bayerische Vereinsbank	200	May 2000	6.75	99.871R	6.799	+10(5¾%-00)	Salomon Brothers Intl
Rabobank Australia (d)	150	Feb 2001	3.25	88.827R	6.712	+26(5¾%-00)	UBS
Chase Manhattan Corp ‡	500	May 2002	(h)	99.914R	-	-	Chase Man/Morgan Stly
World Bank (IBRD)	300	May 2001	6.63	99.682R	6.718	+4(5¾%-00)	SBC Warburg
Kyushu Electric Power Co	300	May 2007	7.25	99.535R	7.317	+37(6¼%-07)	Goldman Sachs
Housing New Zealand	200	May 2004	7.25	99.658R	7.314	+38(7¼%-04)	CSFB/UBS
COPEL	150	May 2005	9.75	99.618R	9.820	+295(May 02)	Santander Inv/Salomon
Landesbank Schleswig	100	May 2001	6.75	99.66R	6.850	+16(5¾%-00)	Kredietbank/CBC
Nippon Telegraph/Telephone	500	May 2002	6.75	99.117R	6.965	+9(Apr 02)	Goldman Sachs/SBC
Norddeutsche Landesbk(s)	157	Oct 1998	6.34§	100.00R	-	-	Merrill Lynch Intl
Yamazen Corporation ‡☆	100	May 2002	(q)	100.00	-	-	Fuji Intl Finance
Carrefour Supermarche	250	May 2000	6.875	100.00R	6.875	+20	BZW
First National Bank Chicago‡	250	May 2000	6.875	99.85R	-	+24(6¼%-00)	Lehman Bros Intl
First USA Credit Card(y)‡	500	May 2004	(y1)	100.00	-	-	Merrill Lynch Intl
First USA Credit Card(z)‡	45.18	May 2004	(z1)	100.00	-	-	Merrill Lynch Intl
D-MARKS							
Allgemeine Hypothekenbk(e)	500	Feb 2005	5.25	97.17R	5.705	+11(7⅜%-05)	Comm/Dresd/Dres/HSBC
DSL Finance NV (e)	250	Sep 2003	5.25	99.999R	-	+5(6%-03)	ABN Amro Hoare Govett
National Bank of Canada ‡	250	May 2002	(i)	99.865R	-	-	Salomon AG
Porsche Intl Financing	200	May 2002	4.87	99.84R	-	-	Deutsche Morgan G'fell
Deutsche Ausgleichsbank(f)	1.5bn	Jul 2007	6.00	99.925R	-	+14(6%-07)	HSBC Trink/Commerz
Allgemeine Hypo AG(s)‡	500	Dec 2002	(t)	100.15	-	-	Westdeutsche Landes
Westfaelische Hypo	250	May 2003	4.25(l)	101.83	-	-	Norddeutsche Landesbk
Republic of Austria ‡	700	May 2007	9.00(k)	100.00R	-	-	Morgan Stanley AG
Deutsche Pfandbrief-und Hypo	100	May 2007	5.00(o)	100.00R	-	-	Morgan Stanley Bank
World Bank	100	May 2000	5.25	100.30R	-	-	Rabobank Intl
STERLING							
Merrill Lynch & Co(s)	100	Dec 2002	7.75	99.47R	-	+50(7%-02)	Merrill Lynch Intl
SPI Finance(l)	125	Perpetual	8.75	99.182R	-	+110(7½%-06)	Merrill Lynch Intl
FRENCH FRANCS							
Ford Motor Credit (k)	1.5bn	May 2003	5.25	99.293R	5.381	+32(l)	BNP/SocGen
Ford Motor Credit (m)	1.5bn	May 2009	6.25	99.514R	6.309	+40(l)	BNP/SocGen
Banque Nationale de Paris	1.25bn	Perpetual	6.50(n)	99.903R	-	+73(l)	BNP/Merrill Lynch
Bear Stearns	1bn	May 2003	5.25	98.965R	5.457	+40(l)	Bear Stn/BNP/SocGen
SWISS FRANCS							
Telecom Corp of NZ(s)	150	May 2003	3.25	102.20	-	-	CSFB
Credit Suisse Group (s)	750	May 2007	4.00	101.625	-	-	CSFB
ABB Intl Finance (p,s)	100	Sep 2002	3.00	102.05	-	-	UBS
Credit Suisse	250(v)	May 2007	4.00	101.625	-	-	CSFB
SNCF	150	May 2005	6.50	102.50	-	-	CSFB
ITALIAN LIRE							
DSL Bank	300bn	May 2002	7.00	101.622	-	-	BNP/CSFB/San Paolo
DUTCH GUILDERS							
Bank Nederlandse Gem	500	May 2012	6.13	98.94R	6.236	+20(l)	ABN Amro Hoare Govett
CANADIAN DOLLARS							
Caisse Centrale Desjardins(t)‡	300	May 2002	(g)	99.894R	-	-	BZW
LUXEMBOURG FRANCS							
Commerzbank International(i)	2bn	Aug 2004	5.50	102.45	-	-	Banque Gen/Comm/Gen
RAND							
World Bank	1bn	May 2012	zero	13.58R	-	-	JP Morgan Securities
SBC Jersey Branch	150	May 1998	15.63	99.955R	-	-	SBC Warburg
Swedish Export Credit	2bn	May 2017	zero	7.043	-	-	Hambros Bank
Swedish Export Credit	1bn	May 2017	zero	7.13	-	-	Hambros Bank
Deutsche Finance Netherlds	3bn	May 2027	zero	2.95	-	-	Deutsche Morgan G'fell
SPANISH PESETAS							
Fondo de Titulizacion (b)‡	38.025bn	Jan 2018	(b1)	100.00R	-	-	Morgan St/Bco Santand
Fondo de Titulizacion (c)‡	1.075bn	Jan 2018	(c1)	100.00R	-	-	Morgan Stanley
World Bank	15bn	May 2000	5.57	101.02	-	-	BSN/BBS
Republic of Argentina	20bn	May 2002	7.50	100.00	-	-	BSN
NEW ZEALAND DOLLARS							
Rabobank Australia	100	May 2000	8.00	100.99	-	-	Toronto Dom/Rabobank
Bayerische Vereinsbank (j)	100	May 2001	8.25	101.22	-	-	Hambros Bank
World Bank	100	May 2007	8.00	99.50	-	-	Toronto Dominion Bank
DUTCH GUILDERS							
MBNA Asset/Eur Struct(t)	750	May 2007	6.00	99.83R	-	+30(5¾%-07)	Morgan Stanley
SWEDISH KRONOR							
Nordbanken(j) ‡	450	Jan 1999	(w)	100.10	-	-	Lehman Brothers

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Floating-rate note. ☆Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Reopening clause. b) Class A (Senior). b1) 3mth libor + 11bp. 25% withholding tax unless EU resident certificate. c) Class B (Subordinated). c1) 3mth libor + 45bp. 25% withholding tax unless EU resident certificate. d) Increase of 150m bond launched 16/1/97. e) Original launched 14/2/97, size now 2bn DM. f) Call at par after 10 yrs when coupon steps up. Reset every 5 yrs higher than prev coupon or 210bp over 5yr gilt. g) CS BAS+⅛%. h) 3mth libor + 5bp. i) Over interpolated yield. j) 3mth libor + ⅛. k) Tranche A. l) Long 1st coupon. m) Tranche B. n) To yr 10 then steps up to 3mth-pibor+2%. Call at par 21/5/07. o) Re-opening clause. p) Fungible on pay date, original launched 10/2/97. q) 6mth libor + 23bp. r) 3mth libor, flat. s) Short 1st coupon. t) For yrs 1&2, 5% yrs 3&4, 6% yr 5, 7% yr 6. u) Until 1999, then 16.5% less 2 times 6mth libor. v) Add on to existing SFr750m. w) 3mth-stibor, flat. x) For 1st yr, then 81% of 10 yr Rex10 yield. y) Class A. y1) 1mth libor + 13 area. z) Class B. z1) 1mth + 33 area. Note: Yields are calculated on ISMA basis.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq	‡	433½	1.4	23.59	1.4	Feb Jul	2.12	1560
Bulmer (HP)	‡†	545	-2.2	13.55	2.5	Feb Sep	13.1	[illegible]
Burn St Dist	‡	[illegible]	–	3.4	1.2	May Nov	7.4	1616
Glenmorangie A	‡	955	-4.0	12.27	3.0	Jan Jul	9.12	3297
B	‡	1085	-2.2	8.14	3.0	Jan Jul	9.12	–
Grand Met	‡	509	1.5	15.8	1.9	Apr Oct	6.1	2759
Guinness	‡‡	513½xd	–	16.1	2.2	May Nov	1.4	[illegible]
Highland	‡†	332½	-2.6	8.4	2.5	Jan Jun	2.12	2880
5¾pc Cnv Bds		98¾	-3	–	–	–	31.1	–
Lion Y		401	3.1	[illegible]	4.2	Sep Mar	–	1119
Matthew Clark	‡‡	287½	-5	24.0	0.9	Apr Oct	1.2	2163
Merrydown	‡†	90½	-1.1	4.6	1.6	Jan Oct	16.12	3382
Seagram C$		[illegible]	0.7	[illegible]	–	[illegible]	[illegible]	–

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Discount Market deps	6 - 5⅞	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Apr 25, 6.1348pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 27, 1997. Agreed rate for period Apr 22, 1997 to May 25, 1997, Scheme III 7.53pc. Reference rate for period Mar 1, 1997 to Mar 27, 1997. Schemes IV & V 6.282pc. Finance House Base Rate 6½pc from Apr 1, 1997

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.69	93.67	-0.02	93.69	93.67	98,266	418,378
Dec	93.40	93.38	-0.02	93.40	93.37	128,710	304,762

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.55	94.56	-	94.56	94.55	121	6,829
Sep	94.26	94.25	-0.02	94.26	94.25	7	3,712
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 25	Apr 18
Bills on offer	£200m	£200m
Total of applications	£1241m	£1037m
Total allocated	£200m	£200m
Min. accepted bid	£98.470	£98.490
Allotment at min. level	95%	87%

	Apr 25	Apr 18
Top accepted rate	6.1368%	6.0585%
Ave. rate of discount	6.1348%	6.0529%
Average yield	6.2300%	6.1456%
Offer at next tender	£200m	£200m
Min. accept. bid 92 days	-	-

■ Pound in New York

Apr 25	---Close---	---Prev. close---
£ spot	1.6245	1.6260
1 mth	1.6238	1.6253
3 mth	1.6221	1.6236
1 yr	1.6155	1.6171

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in Monday's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00	* In administration	
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

OTHER STATISTICS

STOCK INDICES

[illegible]

RIGHTS OFFERS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

BANK RETURN

[illegible]

FTSE GOLD MINES INDEX

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Fnd Advisers 0800 414181 Jersey: 01534 71696
Private Clients 0800 414161 00 352 250404230
From Overseas (44) 1732 777377 Hong Kong (852) 848 1000

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum		A$19.827		4.00	40907
ASch Accum		Sch231.49		2.10	47644
C$ Accum		C$18.897		2.00	40841
DM Accum		DM38.701		2.00	41229
DFl Accum		DFl31.937		1.90	40858
ECU Accum		Ecu13.096		3.00	41230
FFr Accum		FFr87.787		2.10	41282
HK$ Accum		HK$123.85		4.90	41310
Lire Accum		L24388		8.20	41388
NZ$ Accum		NZ$41.320		6.30	41544
Nkr Accum		Nkr113.82		1.90	49045
S$ Accum		S$26.304		2.10	49050
SPta Accum		Pta2609.0		4.60	50724
£ Accum		£13.458		5.00	41540
Skr Accum		Skr123.00		3.00	49054
SFr Accum		SFr23.485		0.40	41560
US$ Accum		$24.041		4.80	41575
Yen Accum		Y2691.8		0.10	41582

Prices for dealing April 25

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1256 Hamilton Bermuda 001 809 292 2790
Jupiter Tyndall World Umbrella Fund Ltd

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Eurobond		$15.82	16.82	4.29	45873
Money		$14.38	15.09	3.86	45872
Mortgage		C$24.44	25.68	7.09	45875
North American		$13.82	14.52	0.00	45871
Overseas		$16.45	17.29	0.00	45876
Tiger		$16.29	17.12	0.00	45877
UK Small Cos		£1.50	1.58	0.00	58186

Newport Investment Management
30 Reid St. PO Box HM 3390 Hamilton Bermuda
UK: 0171 336 6000 Dealing: 01481 707800

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Npt Pacific	5	$4.1711		-	45557
Npt Pacific		£2.5784		-	44855
Newport Tiger Fd		$6.5884		-	51287
Newport Tiger Fd		£4.0727		-	50138

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda HM 11441 292 6370

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Orion Apr 10		$29.79		-	40409

BERMUDA (REGULATED)(**)

Rothschild Asset Management - Contd.
Five Arrows International Bond Funds

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
FAIB £ Bond	3¼	£22.14	22.86	5.45	47645
FAIB US$ Bond	3¼	$33.19	34.32	5.77	47647
FAIB £ Global	3¼	£16.83	17.41	4.95	44046
FAIB US$ Global	3¼	$29.79	30.75	4.89	44857

Five Arrows International Reserves Ltd

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
FAIRL £		£48.283		5.05	45664
FAIRL A$		A$51.36		4.93	45665
FAIRL C$		C$87.338		2.02	45666
FAIRL DFl		DFl101.369		1.98	45667
FAIRL DKr		DKr403.38		2.39	45668
FAIRL DM		DM99.038		2.04	45669
FAIRL ECU		Ecu32.423		3.06	45670
FAIRL BFr		BFr2062.21		1.98	45671
FAIRL FM F.		FM302.472		1.65	-
FAIRL FFr		FFr450.875		2.13	45672
FAIRL HK$		HK$185.27		4.65	45673
FAIRL Lire		L146875		6.05	45674
FAIRL NZ$		NZ$48.043		6.07	46781
FAIRL NKr F		NKr404.424		1.89	-
FAIRL S$		S$98.07		2.27	45675
FAIRL R F		R520.408		14.96	-
FAIRL Pta		Pta4807.77		4.87	46783
FAIRL SF		SF77.54		0.67	45676
FAIRL SKr		SKr206		3.04	46782
FAIRL U S $		$64.178		4.62	45677
FAIRL Yen		Y10314.08		0.00	45678
FAIRL Man £		£26.507		4.40	45679
FAIRL Man DM		DM67.439		1.63	45680
FAIRL Man $		$31.73		4.08	45681
FAIRL Man Intl		£20.797		2.74	44864

Five Arrows Currency Fund Ltd

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
FACFL £		£10.234		4.90	45683
FACFL A$		A$15.383		4.62	45684
FACFL C$		C$20.17		1.83	45685
FACFL DFl		DFl50.415		1.67	45686
FACFL DKr		DKr151.76		2.34	45687
FACFL DM		DM40.37		1.90	45688
FACFL ECU		Ecu15.209		2.81	45689
FACFL BFr		BFr807.47		1.93	45690
FACFL FM F.		FM70.365		0.58	-
FACFL FFr		FFr100.97		1.94	45691
FACFL HK$		HK$102.08		4.75	45692
FACFL Lire		L25778		5.83	45693
FACFL NZ$		NZ$25.833		5.89	46777
FACFL NKr F		NKr101.248		1.65	-
FACFL S$		S$30.578		2.24	45694
FACFL R F		R74.512		12.91	-
FACFL Pta		Pta2949.82		4.47	46779
FACFL SKr		SKr101.48		3.01	46778
FACFL SwFr		SF30.078		0.38	45695
FACFL U S $		$15.309		4.48	45696
FACFL Yen		Y3500		0.00	45697

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021
Global Funds

	Init Charge	Selling Price	Buying Price	Yield Gr's	City-Line
Cont Euro Class F	0	DM25.88	26.855	-	45805
Cont Euro Class Acc F	0	DM25.72	26.958	-	45806
Sterling Intl Cap Class F	0	£10.674	11.090	-	45812
Sterling Intl Cap Class Acc F	0	£11.047	11.185	-	45813
Intl Bond Class F	0	$13.458	13.490	-	45789
Intl Bond Class Acc F	0	$13.980	14.015	-	45790
Asian Growth Class F	0	$8.737	8.907	-	45804
Asian Growth Class Acc F	0	$8.756	8.932	-	45809
Japan Class F	0	Y428.438	428.795	-	45778
Japan Class Acc. F	0	Y428.438	428.785	-	45811
Canadian Class F	0	C$27.00	27.348	-	45809
Canadian Class Acc F	0	C$27.07	27.348	-	45815
[illegible]					

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	W'k % ch'nge	Div net	Dividends paid	Mid cap£m	Last xd	City line
Murray Split Inc	‡†	68½	–	11.7	ApJyOcDe	6.32	17.2	2847
Cap		201½	0.5	–	–	11.3	–	2845
Zero Div Pref		108¼	0.1	–	–	12.6	–	2827
Units	†	537	–	11.7	ApJyOcDe	1.82	17.2	2826
Old Mut Convertible 1st	♣	45½	1.7	9.0	Feb Aug	6.83	27.1	4585
Zero Pref		278	–	–	–	27.6	–	4587
Package Units		675	–1.1	27.0	Feb Aug	–	27.1	–
Rights & Issues Inc		227½	–3.6	10.6	Mar Sep	5.80	3.3	3823
Cap	†	757½	–3	13.13	Jan Mar	12.4	3.3	4995
St David's Inc		129	–	15.9	MrJnSeDe	9.84	21.10	4098
Cap		177½	0.6	–	–	7.28	–	4095
Zero Pf		185¼	–	–	–	13.0	–	1587
2nd St David Inv Tst Inc		124½xd	–	2.0	Apr	10.2	1.4	1851
Residual Cap		121½	4.7	–	–	1.34	–	1853
Zero Div Pf		188½	0.1	–	–	11.1	–	1840
SR Pan European		50½xd	–	0.75	Apr Nov	10.1	17.2	2123
Warrants		21½	7.5	–	–	0.86	–	2828
Zero Div Pref		64½	–	–	–	3.87	–	4950
Schroder Split Inc	♣	107¾	–1.4	8.2	MrJnSeDe	60.7	24.2	1825
Capital		38	–1.0	–	–	7.76	–	1826
Zero Div Pref		145	0.1	–	–	54.7	–	1830
Scot National Inc	♣†s	97½	0.3	8.3	JaApJyOc	155.7	17.2	3881
Cap		6½	3.7	–	–	27.1	–	3869
Warrants		0½	–	–	–	–	–	–
Stepped Pf		106½	0.2	7.57	Mar Sep	53.2	17.2	3882
Zero Div Pref		282¼	0.2	–	–	189.8	–	3884
Tor Inc	♣¶	315xd	–8	Q54.71	JaApJuNv	11.8	24.3	4257
Cap	¶	1382½	0.4	Q5.1	Nov	34.9	14.10	4256
TR Technology B	♣	337½	0.6	10.0	Aug Apr	128.5	24.2	4283
Zero Pf		280½	0.2	–	–	184.8	–	4986
Stepped Pf		102	0.2	7.39	Dec Jun	50.9	11.11	4990
Units		405xd	1.0	40.9	Apr Dec	–	27.4	1198
Venture Geared	♣	25½	–	–	–	3.06	–	1792
Capital Indexed		375	1.4	–	–	6.07	–	1795
Income		96½	–	4.4	Jun Dec	2.19	4.11	1793
Yeoman Income		78	–	15.1	–	10.5	17.2	4855
Capital		307½	–.5	–	–	76.7	–	4854
Zero Pref		258½	0.1	–	–	51.5	–	1286

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

	Notes	Price	W'k % ch'nge	Div net	Dividends paid	Mid cap£m	Last xd	City line
Approved by the Inland Revenue								
Atlantis Japan Gwth Fd		411¼	3.8	–	–	82.4	–	2982
Warrants		49¼	10.5	–	–	1.93	–	2986
Baring Emrg Euro	♣	66½	–1.5	–	–	110.8	10'94	3858
Warrants		48	–2.1	–	–	11.4	–	3861
Brazilian Smaller Co's	♣¶	88½	–3.9	Q1.8	Jul	88.3	17.6	2580
Warrants		40½	–6.0	–	–	8.04	–	2088
Central Euro Gwth	♣	70½	–	–	–	141.8	3'96	4181
Warrants		18¼	–	–	–	7.30	–	4187
East German		31¼	0.8	–	–	17.8	3'93	2408

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Jermyn Inv Props	♣	199xd	–	5.5	1.1	Apr Oct	3.3	–
Kendall		84½	–	–	–	–	2'93	4565
Lambert Smith Hmptn		80	0.6	–	–	–	–	1685
Land Improvements	♣	117½xd	3.5	4.75	3.0	Oct May	14.4	1281
Land Secs	†	787½	0.8	26.25	1.3	Jan Jul	25.11	3733
10pc Deb 2025		£118½	–1.7	Q10%	–	Mar Sep	3.3	3130
10pc 1st Mtg '27		£119½	–1.6	Q10%	–	Mar Sep	3.3	–
10pc 1st Mtg Db '30		£119½	–1.6	Q10%	–	Jan Jul	23.12	5282
Lend Lease A$	¶	1176½	–	Q50c	0.8	Mar Nov	1.10	–
Lon & Assoc Prps	♣	37	–.7	0.78	♦	Jul Dec	11.11	3161
Lon & Metrop	♣	4½	–	–	–	–	4'90	3186
Longo Indl	♣†	333½	–	13.5	1.7	Feb Aug	23.12	3716

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Lorien	♣	372½xd	–.7	7.5	1.3	May Jul	3.3	5168
Lynx	♣	103½	–	1.75	2.8	Feb Aug	25.11	5378
MMT Comp.		578½	1.5	8.7	2.6	Jan Jul	2.12	3249
MR Group	♣	91	–.5	3.6	1.6	Apr Nov	3.3	3370
MSB Int'l		420	–2.9	6.0	♦	Oct May	7.10	1981
McDonnell Info		42½	0.6	–	–	–	8'95	3679
Macro 4	♣	400	–7.8	24.7	1.5	Apr Nov	24.3	3261
Menmore Abbey	♣	51	–	0.8	0.7	Apr	3.2	1923
MICE Group		7¼	–	0.15	3.1	Jan Oct	9.9	4837
Micro Focus	♣	1312½	–4.5	–	–	–	–	3368
Microgen	♣	177½	–	7.8	1.9	Aug Apr	3.3	3371
Misys	♣†	1212½	3.9	11.28	4.2	Apr Oct	10.2	3385

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

The Alternative Investment Market is regulated primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official List.

AMERICANS

CANADIANS

	Notes	Price	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Royal Bk Canada C$		23½	1.9	$1.48	FeMyAuNv	24.1	1180
Toronto-Dom C$		17½	4.4	1.12e	JaApJyOc	18.12	1207
Trans Can Pipe C$	♥	11½	–2.3	$1.16	JaApJyOc	27.12	–
Western Star Trucks C$		15½	1.3	–	–	–	–

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind R		£24½	–	Q545c	♦	May Oct	2.9	–
Barlow	♣	88½	1.2	Q165c	3.3	Jan Jul	9.12	–
Gold Flds Prop R	†	134¼	0.5	Q85c	1.5	Feb Sep	7'95	–
SA Brews		218½	–.7	Q200c	♦	Jul Feb	2.12	4113
Standard Bank		627½	4.0	Q284c	3.1	Sep Mar	–	–
Tiger Oats		1067	–.3	Q132c	2.8	Jun Jul	10.6	–
Tongaat-Hulett		758½	0.5	Q130c	♦	Jan Jun	20.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(V) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend: cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. e Assumed dividend. f Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** **Avalon Oil, Sibir Energy (AIM), Gartmore Euro Wrts, M & G High I and C Shares (IvTs), NMBZ, Norsk Hydro (Oil), Worldsec (OthFn), Hartstone 8pc Prf (Text), Harvey Nash (SpSv), Avis Europe (Trans).** **Deletions:** **London (Elect), Anagen (HlCare), Fenchurch (Insce), Beta Gran Caribe, Beta Mekong, Beta Viet Nam Ord & Wrts (IvCo), Henderson High Ord & Wrts (IvTs).**

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT9660. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.

Company Focus (FT news) £8.45.

Focus Plus (FT and Investors Chronicle news) £10.95.

To order, call 0121 200 4578.

Reports published by ShareFinder.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management - Contd.

Royal Bank of Canada Intl Money Market Fd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Steiner Fund Managers (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

UTI (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

GT Global - Contd.

IRELAND (REGULATED)(**)

Baring International Fd Mgrs (Ireland) Ltd

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 407 2000

Odey Asset Management Ltd
60 Harcourt Street, Dublin 2

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

Blackstone Franks Managers Ireland Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Old Mutual International (Isle of Man) Ltd

Victory Hse, Prospect Hill, Douglas, IoM 01624 663883

	Selling Price	Buying Price	Yield Gross	City-Line
Distribution Fund–Deferred	61.83		-	53194
Distribution Fund–Quarterly	62.44		5.44	53195
Distribution Fund–Half Yearly	51.80		5.34	53196
European Equity	168.56	179.52	-	44915
Far Eastern Equity	$1.7843	1.9185	-	44916
North American Equity	$1.5611	1.6786	-	44917
UK Equity	187.17	201.25	-	44918
UK Gilt & Fixed Int	121.21	130.33	-	44919
Dollar Deposit	$0.7785	0.8370	-	44920
Sterling Deposit	110.64	118.96	-	44921
Managed Currency	84.25	90.58	-	44922
International Managed	144.98	155.87	-	44923
Pension Managed	98.27	105.62	-	49142
Global Accumulation	$0.5147	0.5534	-	49143
Secure Growth	48.96	52.64	-	46453

PanEuroLife société anonyme

36 Av Marie–Thérèse, Luxembourg 00 352 456730

	Selling Price	Buying Price	Yield Gross	City-Line
French Balanced Apr 23	FFr7535.91		-	50225
German/Benelux Apr 23	DM3522.30		-	50226
Global Equities Apr 23	$1398.88		-	50227
UK Secure Gth Apr 23	£775.54		-	50228
US Secure Growth Apr 23	$1258.75		-	53187
Intl Real Estate Apr 23	Ecu1034.85		-	50229
Fund of Funds Apr 23	Ecu1380.00		-	50230
Winvest DM Guaranteed 3.5%	DM1043.73		-	-
Winvest US Guaranteed 4%	LFr1051.56		-	-
Winvest USD Guaranteed 3.5%	$1045.10		-	-
Winvest FF Guaranteed 3.5%	FFr1045.10		-	-
USD 2004	$512.41		-	-

Premier Life

1 Rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Selling Price	Buying Price	Yield Gross	City-Line
Davenport Chdwck £ Fd	£1.260	1.360	-	45916
Matheson £ Ports	£1.050	1.120	-	45821
Matheson $ Ports	$1.010	1.070	-	45822
Ampier Blend	£18.220		-	46311
Argent Equity Gth	£20.100		-	46312
OFS James Capel Mgd Gr £	£2.48	2.49	-	46809
OFS James Capel Mgd Gr $	$2.14	2.14	-	46808
OFS Aggressive $	$1.94	1.55	-	46813
OFS Mngd Growth $	$1.82	1.93	-	46812
OFS Dlr Balanced Port	$1.56	1.57	-	46810

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

[illegible]

MANAGED FUNDS NOTES

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Abtrust Fund Mngrs Luxembourg SA (u)

4 Boulevard Royal L-2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Selling Price	Buying Price	Yield Gr's	City-Line
Global Cap Portfolio	$3.943			
United States Portfolio	$5.7054		-	45309
North Europe Portfolio	DM7.827		-	45310
Japan Portfolio	¥0.586		-	45312
Pacific Portfolio	$8.433		-	45313
Gold Portfolio	$5.294		-	45314
UK Growth of Income	£2.2734		-	45316
Dollar Portfolio	$1.8509		3.81	45316
Sterling Portfolio	£1.0369		7.03	45320
			6.30	45323

Aetna Master Fund (a) (x)

21 avenue de la Liberte, L-1931, Lux 00 352 2954 941

	Selling Price	Buying Price	Yield Gr's	City-Line
Australasian Nav	A$17.87			
Austrian Nat NAV	Sch67.64		-	53822
Belgo/Lux NAV	BFr933.44		-	53823
Dutch Nat NAV	Dfl48.21		-	53833
French Nat NAV	FFr145.71		-	53828
German Nat NAV	DM21.54		-	53824
HongKong Nat NAV	HK$128.57		-	53825
Italian Nat NAV	L13644		-	53826
Japanese Nat NAV	Y1203		-	53827
Spanish Nat NAV	Pta1578		-	53830
UK Nat NAV	£11.21		-	53829
United States Dlr Nav	$11.15		-	53831
			-	48229

Prices quoted are "A" shares

American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg 00 352 40464 6211

	Selling Price	Buying Price	Yield Gr's	City-Line
European Multinational Pfolio	Ecu21.89		-	51428
European Multinational Pfolio	$24.82		-	55115
European Multinational Pfolio	£15.29		-	55116
European Multinational Pfolio	L42368		-	55117
Global Multinational Pfolio	DM42.50		-	55135
Global Multinational Pfolio	Ecu19.88		-	51429
Global Multinational Pfolio	$22.54		-	55118
Global Multinational Pfolio	£13.88		-	55119
Global Multinational Pfolio	L38475		-	55120
US Growth Companies	DM38.68		-	58196
US Growth Companies	$14.36		-	58189
US Growth Companies	£08.85		-	58197
US Growth Companies	L24612		-	58198
US Real Estate Fund	DM24.84			

Fleming Group - Contd.

	Selling Price	Buying Price	Yield Gr's	City-Line
FFF Eastern European F.	DM28.86	31.62	-	54481
FFF Eastern Opps	$21.58	22.84	-	47841
FFF Emerging Markets F	$10.46	11.07	-	53839
FFF Emerging Markets Dstr F	$14.48	15.32	-	48257
FFF European	DM43.34	46.91	-	48820
FFF European Smlr Cos F	DM28.19	27.71	-	53840
FFF Global Conv F	$17.73	18.75	-	48821
FFF India H	$10.18	10.75	-	48018
FFF Intl Bond F	$13.33	14.10	-	48822
FFF Intl Equity F	DM80.76	85.44	-	44894
FFF Japanese	$14.31	15.14	-	48823
FFF Japanese Smaller Cos F	$5.80	5.88	-	54482
FFF Latin American	$13.64	14.43	-	48230
FFF Pacific	$21.88	23.14	-	48825
FFF Sterling Bond	£1.068	1.130	-	48231
FFF UK Enterprise	£5.63	5.96	-	48232
FFF US Discovery	$40.72	42.87	-	48827

Fleming Flagship Series II (Daily Dealing)

	Selling Price	Buying Price	Yield Gr's	City-Line
DM Class F	DM12.468		2.88	48234
FFr Class F	FFr64.358		2.87	48238
ITL Class F	L22244		6.71	45898
£ Class F	£5.290		5.80	50183
US$ Class F	$12.081		5.28	48235

Oasis Fund Sicav

International Equity F... 5 £8.59 10.8844 - 45789

Foreign & Colonial Emerging Markets Ltd (u)

Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234

F&C Emerging Markets

	Selling Price	Buying Price	Yield Gr's	City-Line
Argentinian Inv Co F	$24.80		-	45684
Brazilian Inv Co SICAV F	$51.80		-	44782
Emerging Mkts Inv Co SICAV F	$10.83		-	54548
Latin Amer Inv Co SICAV F	$12.05		-	48283
Mexican Inv Co SICAV F	$24.26		-	47848

Foreign & Colonial Portfolios Fd Sicav(a)

33 Boulevard Prince Henri, L-1724 Lux 00 352 2286 211

	Selling Price	Buying Price	Yield Gr's	City-Line
Am Smlr Cos Eq F	$37.17		-	45080
Japanese Smlr Cos Eq F	Y849.00		-	45004
European Smlr Cos Eq F	Ecu17.47		-	45001
Emerging Asian Eq F	$22.21		-	47564
Sterling Beta F	£10.04			

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

4 pm close April 25

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30¾	24¼	AAR r	0.48	1.6	22	166	29⅜	29⅛	29⅛	-⅛
43	33⅛	AMP	1.04	3.0	28	4329	35¼	34⅞	35⅛	+¼
90⅛	79¾	AMR			6	5345	89⅞	87¾	88¼	-2⅛
37⅝	31⅝	ASA	1.20	3.7	21	276	32⅜	32	32¼	+½
61⅜	49¼	AbbtL x	1.08	1.8	23	4719	58¼	58⅝	56⅞	-⅛
17½	14⅛	Abitibi Pr	0.40	2.4	8	150	16½	16½	16½	-⅛
19¾	17⅜	ABM Ind x	0.40	2.2	17	17	18½	18⅜	18⅜	-⅛
23	17¾	Acptnceln			9	257	18⅝	18¼	18¼	-⅛
66⅜	55⅛	ACE Ltd	0.72	1.2	9	938	59	58¼	58¾	-¼
10¾	10	ACM Gvt In	0.90	8.8	11	156	10¼	10⅛	10¼	+⅛
7⅝	7	ACM GvOpp	0.63	8.7		167	7⅜	7¼	7¼	-⅛
9⅞	9¼	ACM Mgn	0.90	9.5		103	9⅝	9½	9½	
10⅜	6¼	Acme Elect				39	6½	d6¼	6½	+⅛
20	13¾	Acme Mills			58	66	13¾	d13⅜	13⅜	-⅛
33	27¼	Acordia	0.80	2.5	15	29	31¾	31⅝	31¾	+⅛
29¾	21⅛	Acuson				965	24¼	24	24⅛	-⅛
21	19⅞	Adams Expr	0.55	2.7	1	256	20⅛	30	20⅛	-⅛
48½	24⅞	AdvMic				28313	41¾	39⅞	40⅝	+⅛
15	10⅜	Advest Grp	0.03	0.2	9	176	12⅝	12½	12⅝	+⅜
14⅝	11⅜	Advo Inc			14	38	12⅛	11⅞	12	
73⅝	61⅛	Aegon	1.45	2.0	20	106	71¼	71	71¼	-⅞
5⅛	3⅛	Aerfis				37	3¼	3¼	3¼	-⅛

Continued on next page

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 25 / Sch)

BELGIUM/LUXEMBOURG (Apr 25 / Frs.)

CZECH REP (Apr 25 / Koruna)

DENMARK (Apr 24 / Kr)

FINLAND (Apr 25 / Mka)

FRANCE (Apr 25 / Frs.)

		+/-	High	Low	Yld	P/E
AGF	184	-.90	231.40	138.20	2.7	16.3
Accor	835	-25	893	606	2.4	25.9
AirLiq	833	-10	944	759	1.7	22.0
Alctel	634	-6	686	368	1.6	38.0
ArjPri	1,650		1,749	1,200	1.4	
Axa	352.90	-2.70	383.10	262.80	2.1	21.3
BIC	852	-14	980	556	1.3	37.0
BNP	236.80	+2.40	279	171	2.3	12.7
Bncair	755xd	-8	815	487.20	1.3	..
BFaure	274.40	-6.60	301	159	1.5	16.5
Bongrn	2,195	-5	2,600	1,985	2.8	13.0
Bygues	521	-1	618	444.60	4.9	...
CEP Cm	470	..	475	353	3.2	...
CGIP	1,770	-5	1,846	1,118	3.1	...

GERMANY (Apr 25 / Dm.)

GREECE (Apr 24 / Drachma)

ITALY (Apr 24 / Lira)

NETHERLANDS (Apr 25 / Fls.)

NORWAY (Apr 25 / Kroner)

POLAND (Apr 25 / Zloty)

PORTUGAL (Apr 24 / Escudo)

SPAIN (Apr 25 / Pts.)

SWEDEN (Apr 25 / Kronor)

SWITZERLAND (Apr 25 / Frs.)

TURKEY (Apr 25 / Tk Lira)

PACIFIC

JAPAN (Apr 25 / Yen)

HONG KONG (Apr 25 / H.K.$)

INDONESIA (Apr 25 / Rupiah)

MALAYSIA (Apr 25 / MYR)

NEW ZEALAND (Apr 24 / NZ $)

SINGAPORE (Apr 25 / S$)

AUSTRALIA (Apr 24 / AustS)

SOUTH KOREA (Apr 25 / Won)

TAIWAN (Apr 25 / TW $)

THAILAND (Apr 25 / Baht)

NORTH AMERICA

CANADA

TORONTO (Apr 25 / Can $) 4 pm close

MONTREAL (Apr 25 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Apr 25 / Rand)

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

♣ FT Free Annual Reports Service

You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8087, or fax your request to +1 804 320 8135 or order online at http://www.icbinc.com/cgi-bin/ft. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

INDICES

	Apr 25	Apr 24	Apr 23	1997 High		1997 Low	
Argentina							
General(29/12/77)	20606.71	20646.31	20701.70	21551.32	24/2	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	(c)	2474.7	2472.3	2501.70	18/2	2352.29	1/4
All Mining(1/1/80)	(c)	905.9	907.2	987.10	24/2	878.40	16/4
Austria							
Credit Aktien(30/12/84)	402.77	405.03	405.23	418.23	11/3	374.40	9/1
Traded Index(2/1/91)	1306.21	1215.27	1209.71	1256.43	11/3	1130.22	9/1
Belgium							
BEL20(1/1/91)	2202.22	2223.49	2209.03	2223.49	24/4	1871.05	2/1
Brazil							
Bovespa(29/12/83)	9732.0	9709.0	9634.0	9837.80	7/4	6955.50	2/1
Canada							
Metals Minls♦(1975)	5130.63	5175.52	5236.47	5891.75	10/3	4945.86	11/4
Composite♦(1975)	5835.3	5864.8	5874.1	6332.90	10/3	5879.30	14/4
Portfolio§§(4/1/83)	2957.55	2980.2	2992.7	3214.10	10/3	2846.02	11/4
Chile							
IGPA Gen♥(31/12/80)	5321.67	5338.55	5344.30	5443.52	25/2	4912.42	2/1
Denmark							
CopenhagenSE(3/1/83)	(c)	542.98	542.01	555.49	11/3	470.14	2/1
Finland							
HEX General(28/12/90)	2877.79	2864.41	2851.64	3006.38	11/3	2493.28	2/1
France							
SBF 250(31/12/90)	1716.38	1718.66	1712.17	1815.38	10/3	1533.19	2/1
CAC 40(31/12/87)	2538.26	2539.83	2533.64	2709.21	10/3	2256.97	2/1
Germany							
FAZ Aktien(31/12/58)	1165.74	1172.72	1170.41	1192.09	11/3	986.21	2/1
Commerzbank(1/12/53)	3412.4	3430.8	3426.20	3472.20	27/3	2875.90	2/1
DAX‡(30/12/87)	3374.10	3387.36	3395.95	3460.59	11/3	2848.77	2/1
Greece							
Athens SE(31/12/80)	(c)	1456.95	1442.19	1468.95	24/4	954.54	2/1
Hong Kong							
Hang Seng(31/7/64)	12645.76	12726.83	12707.04	13868.24	30/1	12055.17	3/4
India							
BSE Sens.(1979)	3825.57	3805.72	3828.99	3844.61	4/3	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	652.47	652.98	651.45	712.60	26/2	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3022.63	3024.17	3027.95	3058.63	11/3	2725.07	2/1
Italy							
Banca Comm Ital(1972)	(c)	764.96	772.08	787.71	10/2	642.56	2/1
MIB General(2/1/87)	(c)	1150.0	1161.0	1197.00	10/2	991.00	2/1
Japan							
Nikkei 225(16/5/49)	18612.86	18698.07	18735.47	19446.00	6/1	17303.65	10/1
Nikkei 300(1/10/82)	273.77	274.99	275.08	282.46	6/1	261.04	27/1
Topix(4/1/68)	1411.63	1419.09	1420.79	1480.86	6/1	1338.82	10/4
2nd Section(4/1/68)	1655.46	1655.75	1647.91	1829.21	6/1	1518.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1089.45	1098.53	1109.6	1271.57	25/2	1086.67	15/4
Mexico							
IPC(Nov 1978)	(c)	3773.71	3827.01	3938.69	25/2	3359.46	3/1
Netherland							
CBS TtlRtnGen(End 83)	870.9	881.3	877.2	885.70	11/3	730.80	2/1
CBS All Shr(End 83)	509.5	515.7	513.3	519.80	11/3	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	(c)	2253.57	2254.54	2440.21	20/1	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	1836.62	1853.78	1862.78	1941.49	20/2	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2872.37	2908.33	2913.56	3447.60	3/2	2880.45	22/4
Portugal							
BVL 30(4/1/93)	(c)	2671.29	2664.49	2671.29	24/4	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	492.74	494.52	498.22	573.08	17/2	492.74	25/4
South Africa							
JSE Gold(28/9/78)	1235.0♥	1230.5	1231.8	1588.10	27/2	1230.50	24/4
JSE Ind.(28/9/78)	8406.0♥	8425.4	8414.8	8425.52	25/2	7869.50	2/1
South Korea							
KoreaCompEx**(4/1/80)	692.48	690.80	693.05	721.00	14/2	611.05	7/1
Spain							
Madrid SE(30/12/85)	499.21	502.19	504.41	504.41	23/4	434.54	2/1
Sweden							
AffarsvardsGen(1/2/37)	2650.8	2676.2	2646.0	2832.40	10/3	2378.50	2/1
Switzerland							
Swiss Bk Ind(31/12/58)	(c)	2291.81	2258.70	2291.81	24/4	1817.85	13/1
SBC General(1/4/87)	(c)	1601.66	1587.34	1601.66	24/4	1318.14	6/1
Taiwan							
WeightedPr.**(30/6/66)	8654.19	8629.23	8576.94	8659.82	9/4	6844.76	6/1
Thailand							
Bangkok SET(30/4/75)	684.00	688.42	689.79	859.97	22/1	676.65	6/3
Turkey							
IMKB Nat 100(1986)	1466.0	1457.0	(c)	1654.00	21/3	995.00	2/1
WORLD							
MS Capital Intl$(1/1/70)	821.6*	827.3	828.2	854.40	25/2	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2196.79	2205.94	2201.74	2231.93	11/3	1883.80	2/1
Euro Top-100(26/6/90)	1872.13	1880.81	1871.70	1894.47	11/3	1582.99	2/1
HSBC JC Dragon(31/12/90)	(c)	389.50	390.87	429.46	20/1	383.78	15/4
ING Barings Emrg(7/1/92)	173.85	174.45	173.81	181.33	28/2	159.74	3/1

US INDICES

Dow Jones	Apr 25	Apr 24	Apr 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	6738.87	6792.25	6812.72	7085.16 (11/3)	6391.69 (11/4)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	101.32	101.44	101.54	103.63 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2512.74	2547.57	2580.55	2580.55 (23/4)	2222.07 (2/1)	2580.55 (23/4/97)	13.23 (8/7/32)
Utilities	209.47	210.73	211.99	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6828.77 (6823.90) Low 6681.06 (6742.89) (Theoretical♦)
Day's high 6792.25 (6890.59) Low 6726.03 (6777.40) (Actual♦)

Standard and Poors	Apr 25	Apr 24	Apr 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	755.37	771.18	773.64	816.29 (18/2)	737.01 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials♥	902.71	910.53	913.22	950.96 (18/2)	865.42 (11/4)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	84.86	85.12	85.35	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	400.38	403.62	404.71	427.70 (10/3)	389.47 (11/4)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	542.83	543.95	543.36	603.63 (10/3)	542.83 (25/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1209.29	1226.10	1227.14	1389.06 (22/1)	1201.00 (2/4)	1389.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 18	Apr 11	Apr 4	Year ago
Dow Jones Ind. Div. Yield	1.82	1.94	1.97	2.17
	Apr 23	Apr 16	Apr 9	Year ago
S & P Ind. Div. yield	1.80	1.82	1.83	1.87
S & P Ind. P/E ratio	22.19	21.85	21.72	21.43

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Elec Data	26,823,400	32½	-9⅞
Philip Mrrs	14,042,900	39⅝	-2¼
Hertz	7,654,800	27⅞	+3¾
RJR Nabisco	5,500,300	29	-2⅜
AT & T	5,465,700	31⅛	+⅛
Pepsico	4,437,000	32	-1⅛
Phrm Upjohn	3,983,000	29¾	-⅜
Adv Micro	3,483,600	40⅝	+⅛
Storage Tch	3,446,600	34⅛	-4½
Westnghse	3,017,600	17¼	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Apr 25	Apr 24	Apr 23
New York SE	418.541	489.529	493.468
Amex	18.988	21.825	23.710
NASDAQ	(u)	599.651	593.884
NYSE			
Issues Traded	3,305	3,308	3,325
Rises	796	1,153	1,143
Falls	1,665	1,253	1,338
Unchanged	844	902	844
New Highs	26	59	54
New Lows	70	66	60

INDEX FUTURES

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	2525.0	2535.0	-3.0	2549.0	2522.0	18,413	25,521
May	2508.0	2520.0	-4.0	2533.0	2508.0	4,797	9,680
■ DAX							
Jun	3380.0	3359.5	-44.5	3396.0	3346.5	18,336	164,502
Sep	3414.0	3385.0	-44.5	3422.0	3373.0	643	5,278

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	2084.00	2068.00	-9.00	2087.00	2063.50	1,861	7,576
May	2074.00	2036.00	-31.50	2079.00	2034.00	3,837	19,419
■ SOFFEX							
May	4798.0	4769.6	-45.4	4818.9	4760.2	3,062	24,388
Jun	-	4756.0	-45.0	-	-	-	840

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	775.85	768.90	-7.45	776.00	767.50	82,650	181,169
Sep	782.20	776.70	-7.55	782.40	775.40	210	5,795
■ Nikkei 225							
Jun	18580.0	18630.0	-70.0	18840.0	18560.0	21,697	224,893

Open interest figures for previous day.

** Sat Apr 19: Taiwan Weighted Price 8302.25; Korea Comp Ex 700.66. Base values of all Indices are 100 except Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Standard & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 25 - 3357.57 -38.92.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's.) ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, April 25, 1997

	Stocks Traded	Closing Prices	Change on day
Fuji Heavy Ind	9.2m	625	-5
Mitsui Min & Sml	6.4m	505	+5
Mitsubishi Hvy	6.1m	850	+8
Toyota Motor	5.8m	3590	+60
Sumitomo Bank	5.5m	1400	-30
Kobe Steel	5.5m	235	+10
Nomura Secs	4.6m	1390	-20
Fujitsu	4.1m	1310	+10
Shiseido	4.1m	1670	+20
Nippon Steel Cp	4.0m	359	-5

4 pm close April 25

NEW YORK STOCK EXCHANGE PRICES

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

FT GUIDE TO THE WEEK

MONDAY 28

Hashimoto in Australia

Japan's Prime Minister Ryutaro Hashimoto arrives in Australia, after his US visit, for talks with Mr John Howard, the Australian Prime Minister, in Canberra. Trade and economic issues will be high on the agenda, and Mr Hashimoto is likely to try to shore up Australia's support and co-operation in multilateral forums, including the World Trade Organisation and Asia-Pacific Economic Cooperation forum). The Australians are concerned at the steady decline of exports to Japan. Mr Hashimoto is due to go on to New Zealand, where he will meet Prime Minister Mr Jim Bolger before returning to Tokyo on May 1.

Qian meets Albright

Chinese Foreign Minister Qian Qichen visits the US with the aim of fostering bilateral ties. He will discuss a wide-range of issues with his US counterpart Mrs Madeleine Albright. Mr Qian will also meet President Bill Clinton and Vice President Al Gore. Last week, Beijing expressed its anger at President Clinton's meeting with Dalai Lama, the exiled Tibetan religious leader, at the White House. Mr Gore visited China in March and was considered to be paving the way for a presidential visits exchange later this year and in 1998.

Saleroom

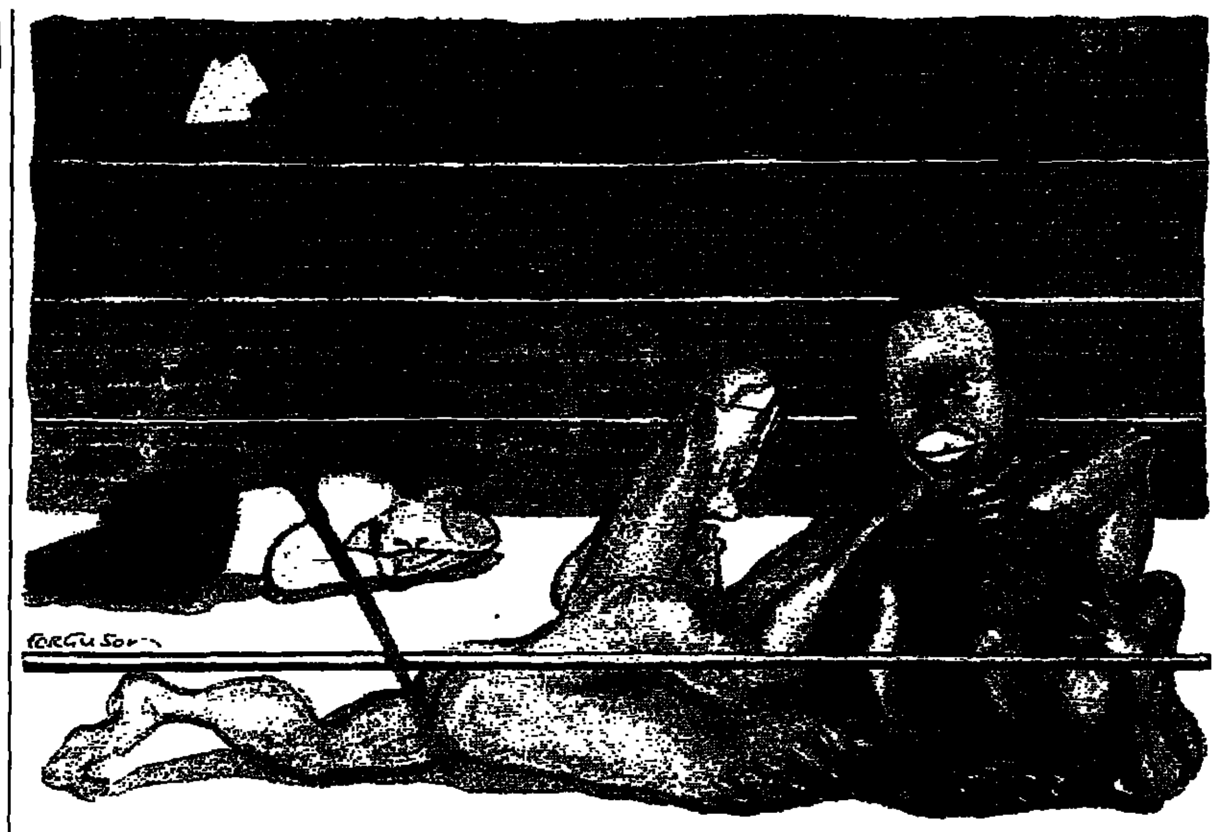
Hong Kong becomes the centre of the international art market, with both Sotheby's and Christie's holding auctions there. On Monday Christie's offer a sapphire and diamond pendant set, with a sapphire weighing 102.61 carats. It is the most valuable sapphire to appear at auction in Asia and carries an estimate of up to HK$10m. On Tuesday Sotheby's is selling nine pieces of Ming and Qing Imperial porcelain which it considers to be among the finest it has ever auctioned.

E coli prevention

Experts from 11 countries including Britain meet at the World Health Organisation in Geneva to discuss ways of preventing E coli infection (to May 1). A recent outbreak of Escherichia coli killed 20 people in Scotland. E coli is spread through contaminated foods and experts aim to produce recommendations on its prevention and control.

Digital rules

New international copyright rules to cover digital broadcasting are the subject of a three-day symposium organised by the World Intellectual Property Organisation in the Philippines capital, Manila. New rules are needed because digital signals will allow perfect copies of radio and television programmes to be recorded and re-sent around the world.



Wrestling to the bitter end. Britain votes on Thursday with opinion polls giving Mr Tony Blair a clear lead over Mr John Major.

FT Survey

Slovenia

Public holidays

Albania, Egypt, Israel, Netherlands Antilles, Romania, Sierra Leone, South Africa, Yugoslavia.

TUESDAY 29

EU ministers debate Iran

EU foreign ministers meet in Luxembourg to discuss whether to toughen or soften diplomatic sanctions against Iran after the German court verdict tying the Teheran regime to political assassination of Kurdish dissidents in Europe. The US wants the EU to stay firm, but several countries are considering whether to send back their ambassadors. Ministers are trying to lift the Greek veto on financial aid to Turkey and to resolve a dispute with Poland over the tax on citrus fruits. The EU is also weighing trade concessions to Serbia. Today and tomorrow, the Dutch presidency will try to speed negotiations in the Maastricht treaty review conference in a bid to meet the mid-June deadline at the EU summit in Amsterdam.

Kohl abroad

Boosting trade and economic ties will be the top priorities of Germany's chancellor Helmut Kohl, who leaves today for a 12-day trip to Brunei, Australia, New Zealand and Hong Kong. The chancellor, who will be accompanied by Mr Jürgen Rüttgers, technology minister, and a delegation of German business leaders, will be beating the drum for the Expo 2000 world fair to be held in Hanover and will promote Germany's revolutionary Transrapid magnetic levitation rail system as an answer to Australia's transport needs.

Freeport meeting

Freeport McMoRan Copper & Gold, the US mining group which has played a central role in the controversy surrounding the Busang gold deposit, holds its annual meeting in New Orleans. The company sparked the controversy last month when it said it found "insignificant" amounts of gold at the Indonesian deposit, which Canada's Bre-X Minerals claims contains 71m ounces. Freeport has since declined to comment on the matter, saying it is waiting for independent results, due in early May.

Japan in the green

Greenery Day, national holiday in Japan, is aimed at raising social awareness of environmental issues. The holiday will also include traditional festivals, including the Meiji Shrine Spring Festival in central Tokyo. The festival, which will also be held on May 2 and 3, features bugaku, ancient court dance and music, as well as classic "noh" and "kyogen" drama and traditional Japanese archery.

FT Surveys

Business of Football, Balearic Islands

Public holidays

Netherlands, Antilles, Japan.

WEDNESDAY 30

Tackling trade issues

Trade ministers from the US, Japan, the EU and Canada, comprising an informal group known as the Quad, meet in Toronto from today to May 2. A wide range of issues are likely to be raised, including the west's trade relations with China, the timing of a "fast-track" trade bill in the US, trade liberalisation in financial services and bilateral issues.

Chinese visit

Mr Zhu Jiahua, the Chinese vice-premier in charge of economy and industry, starts an official visit to Switzerland, France and Norway. Mr Zhu's visit to France comes when Sino-French ties are being highlighted by frequent high-level visits and vigorous activity on the business and trade fronts. Sino-French bilateral trade reach $4.15bn in 1996 and $4.49bn in 1995.

Public holidays

Netherlands, Netherlands Antilles.

THURSDAY 1

Britain goes to the polls

Britain's 44m voters go the polls in 659 constituencies today. Opinion polls suggest Mr Tony Blair's modernised Labour party will win a clear parliamentary majority for the first time since 1974, consigning Mr John Major's Conservatives to opposition for at least five years. There is still hope for the Conservatives, though: the polls also suggested a Labour victory five years ago, when Mr Major won a majority of more than 20 seats. Polling booths close at 10pm, and first results are due at about 11.30pm UK time. The overall result should be clear by 1am, unless the vote is unexpectedly close. If Labour wins, attention will switch to the formation of Mr Blair's cabinet. Conservative rivals expect Mr Major to resign the leadership if he loses. If he does not, he will face a strong Eurosceptic challenge.

Addressing the Internet

Companies, public bodies and international organisations will sign an accord in Geneva setting up a new global structure to manage registration of addresses on the Internet. The agreement, drafted by an International Ad Hoc Committee of Internet users, covers allocation of "top-level domain names", the Internet's counterpart of telephone numbers. The new system will end the monopoly on registration of the three existing generic domain names - .com, .org and .net - held by Network Solutions Inc (NSI) of the US. It will also institute a disputes settlement system to be administered by the Geneva-based World Intellectual Property Organisation.

FT Survey

Access to US Capital Markets(UK only).

Public holidays

Holidays in many countries, including Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal, South Africa, Spain, Sweden. China's Shanghai and Shengzen stock exchanges closed today and tomorrow for Labour Day holiday.

FRIDAY 2

Sailing into history

Five hundred years after John Cabot set sail from Bristol on the west coast of England to discover Newfoundland, a replica of his ship, the Matthew, will recreate his voyage. A weekend of celebrations will mark the event, with the Duke of Edinburgh due to be on board the ship on Friday in Bristol's historic city harbour. On Saturday, the 75ft wooden caravel will sail to the Bristol Channel. She is due to reach Newfoundland on June 24 where she will be the focus of Newfoundland's and Labrador's 500th anniversary celebrations. The ship will visit Nova Scotia and Boston before returning home.

Vietnam drugs trial

Vietnam's biggest drug trial is due to start. The case highlights how the once-closed communist country is being used increasingly as a conduit for international drug trafficking. Thirty four people implicated in a huge heroin smuggling ring are to stand trial. The case has ensnared high ranking officials in the security apparatus, and implicated senior members of the powerful interior ministry and its anti-drugs team. Vietnam has become a transhipment point for drugs being moved from the Golden Triangle area of Laos, Burma and Thailand to the west.

FT Survey

Access to US Capital Markets(except UK)

Public holidays

Bhutan, Russian Federation, Slovenia.

WEEKEND 3-4

Kasparov v Deep Blue

World champion Garry Kasparov meets IBM Deep Blue, the chess super computer, in a $1.1m six-game challenge match in New York, starting on Saturday and lasting until May 11. Last year's Kasparov beat the machine 4-2. IBM's Internet web site, www.ibm.com., which was overwhelmed last year by chess fans trying to follow the match move by move, has installed extra capacity. Deep Blue's programmers include a grandmaster, but Kasparov, the all-time human number one ahead of Bobby Fischer, is expected to win again.

Horse racing

The 2,000 Guineas will be run at Newmarket on Saturday and the 1,000 Guineas on Sunday.

Public holidays(Saturday)

Japan, Poland.

Compiled by Bob Vincent
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: New homes sales figures for March kick off a busy week of US data. But more important figures come on Tuesday, with the first quarter employment cost index expected to show another rise, and Wednesday's first quarter GDP figures, which could record a 4.0 per cent increase.

Tuesday: A tail-off in car registrations in France indicates that household consumption in March will suffer another decline after February's 1.7 per cent fall. Wednesday's French unemployment figure may add 10,000 to the jobless total.

Wednesday: Germany's Bundesbank holds its council meeting, but the current pace of money supply growth of 8.3 per cent in March is unlikely to cause any interest rate moves.

Thursday: A public holiday in most of mainland Europe. The UK manufacturers purchasing managers' index for April should be little changed from March.

Friday: The headline rate of unemployment in Japan is forecast as unchanged from 3.3 per cent, as a bigger workforce is balanced by a rise in job seekers.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Mar retail sales**	16.3%	-1.9%		France	Feb trade balance†	FFr10.6bn	FFr11.7bn
April 28	Japan	Mar industrial production†	-2.0%	-3.7%		US	Q1 GDP advance	4%	3.8%
	Japan	Mar shipments†		-4.3%		US	Q1 GDP deflator adv	2%	1.9%
	France	Apr INSEE industrial survey	2	1		Canada	Feb real GDP-factor cost*	0.5%	0.6%
	US	Mar new home sales	790k	811k		US	Apr Chicago pmi†	56.8%	57.5%
Tue	Germany	Feb trade balance	DM7.5bn	DM5.6bn		US	Apr agriculture prices		2.9%
April 29	Germany	Feb current account	-DM2bn	-DM9.8bn	Thur	Japan	Apr auto sales**		12.4%
	France	Mar household consumption†	0.0%	-1.7%	May 1	Japan	Apr forex reserves*		0.5%
	France	Q4 GDP final***	0.2%	0.2%		UK	Apr chartered inst of purchasing mngrs		52.9%
	France	Q4 GDP final**	2.1%	2.1%		US	Mar personal consumer expenditure	0.4%	8.3%
	UK	Mar consumer credit	£975m	£1.2bn		US	Apr natl assoc of purchasing mngrs	54%	55%
	US	Mar durable orders	unch	1.5%		US	Mar construction spending	unch	2.3%
	US	Mar durable shipments		1.4%		US	M2-week ended Apr 21	$9bn	-$1.2bn
	US	Q1 emplymnt cost index, civilian***	0.9%	0.8%		US	Apr domestic auto sales	7m	7.1m
	US	Q1 emplymnt cost index, civilian**		2.9%	Fri	Japan	Mar unemployment rate	3.3%	3.3%
	Canada	Mar department store sales **		7.7%	May 2	UK	Apr official reserves		[illegible]
	US	BOT-Mitsubishi Apr 26		0.2%		US	Apr hourly earnings	0.3%	0.4%
	US	Apr consumer confidence	118	118.5		US	Apr unemployment rate	5.2%	5.2%
	US	Redbook Apr 26		0.5%		US	Mar leading indicators	0.1%	0.5%
	Japan	Apr wholesale prce indx (2nd 10 days)		1.5%	During the week...				
Wed	Japan	Mar construction orders**		-11.1%		Germany	Mar [illegible] consumer climate		91
April 30	Japan	Mar housing starts**	-5.8%	-1.5%		Italy	Mar balance of payments		-L1,900bn
	Japan	Mar construction starts**		-4.9%		Italy	Feb trade balance		L3,200bn
	France	Mar unemployment rate*	12.8%	12.8%		Italy	Mar total bank lending		3.4%
	France	Mar jobseekers* (ILO)	0.3%	0.3%					

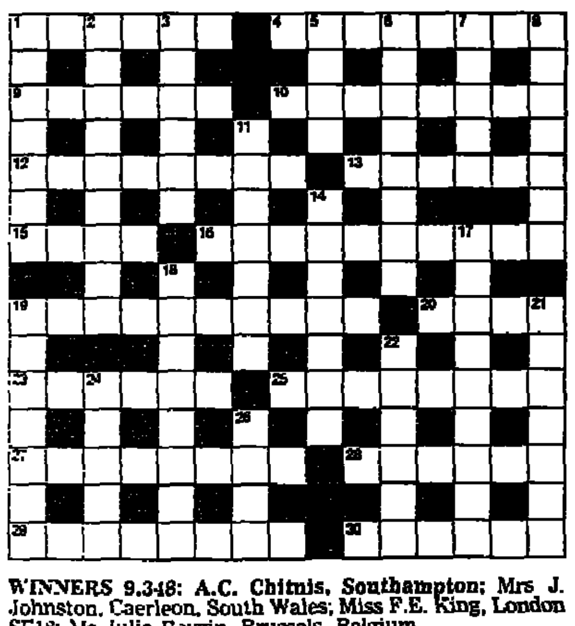
*month on month, **year on year, ***qtr on qtr, †seasonally adjusted - Statistics, courtesy MMS International.

ACROSS

1 Fairy found in a corner (6)
4 Press for trophy being on front of table (8)
9 Unsealed circular letter to writer and editor (6)
10 It can make a man hate what is repellent to him (8)
12 Observe inner need when profoundly involved (4-4)
13 A bad hand (6)
15 Tax office (4)
16 Lacking money for cake (10)
19 Garment not worn out but full of holes (6,4)
20 Principal feature of a vault (4)
23 Drink triple gin, initially, with one rum (6)
25 Died - from hypothermia? (8)
27 A descriptive phrase upsets Mother and Pa (8)
28 Oriental wear for doctor in family circle (6)
29 Having paid, he recovers (8)
30 They may be no great milk drinks (6)

DOWN

1 Hit a century, made fast (7)
2 Warder organising a fete gets in the drink (9)
3 Improves and repairs under direction (6)
5 Build-up of runs retaining the ashes (4)
6 A block destined for hot water (4,4)
7 Earn a special place in the sporting world (5)
8 Rang up when laid out in the van (7)
11 Home sweet home for flighty workers (7)
14 Correct to hold son is to succeed (7)
17 Bank to stop advances (9)
18 Stumbling upon clue for "disconnect" (8)
19 Not a galley, but may be found in one (7)
21 Pelt American all round ring? That's sickening (7)
22 Angle brackets in the end (6)
24 The game's up! Edward's confined to school (5)
26 Stood up for a woman (4)



WINNERS 9,348: A.C. Chitnis, Southampton; Mrs J. Johnston, Caerleon, South Wales; Miss F.E. King, London SE18; Ms Julia Revzin, Brussels, Belgium.

MONDAY PRIZE CROSSWORD
No.9,360 Set by DANTE

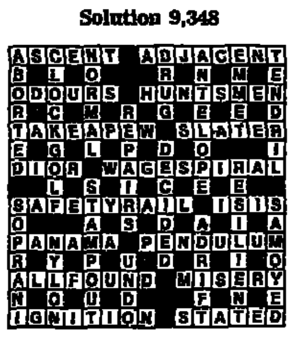
Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday May 8, marked Monday Crossword 9,360 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 12. Please allow 28 days for delivery of prizes.

Name..........

Address..........

....

Solution 9,348



JOTTER PAD

NYSE PRICES

4 pm close April 25

Continued from previous page

Price data supplied by Exel part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

AMEX PRICES

4 pm close April 25

NASDAQ NATIONAL MARKET

4 pm close April 25

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	306	48	12 1/2	12 1/4	12 1/4	1/4
Kaman Cp	0.44	22	87	12 1/2	12 1/4	12 1/4	
Kelly Sv	0.84	12	245	24 1/2	23 3/4	24	1/4
Kimball	1.04	12	84	35 3/4	d35 1/4	[illegible]	3/4
KLA Instr		21	7232	43 5/8	41 1/4	41 1/2	-1
Koll A			236	1/8	d1/8	1/8	
Komag		16	5612	27 1/2	25 1/4	26	-1 1/4
Kulicke S			4049	28	26 5/8	27 1/4	3/4

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		11	137	15	14 1/8	14 1/8	7/8
Rallys			164	3	3	3	
Raymond	0.25	14	881	29 7/8	29 1/8	29 5/8	3/8
RCSB Fin x	0.60	10	365	29 1/2	29 3/8	29 1/2	1/4
Read-Rite			35236	27 5/8	25 1/4	25 3/8	-2 1/4

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	22295	49 3/4	46	46	-5 1/4
Xircom		12	8464	9 5/8	8 3/8	8 3/4	
Xoma Corp			8778	4	3	3	
Yellow			3846	20 3/4	18 3/8	19 5/8	-1 1/4
York Rsch		14	800	7 3/4	6 7/8	7 1/4	1/4
ZionsUtah x	1.76	18	293	115 3/4	113	113 1/2	-1 3/4

EASDAQ

EASDAQ is a fully regulated Independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.5		1000	8.25	7.5	Esprit Telecom ADS	US$9.25	-0.625	0	12.25	9.75
Artecon Systems	US$10.5	+0.125	4604	11	9.5	Innogenetics	US$11.875		12530	12.75	10.375
Chemunex	FFr16		10000	18	16	Mercer Internatl	US$8.375	-0.25	0	11.75	8.625
Dr Solomon's ADS	US$24.25	-0.125	0	26.5	16.875	PixTech	US$4.25		0	6.125	4.25

Prices for 25/4/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9890).